

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-K
ANNUAL REPORT

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2008

OR
 TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the Transition period from _____ to _____

Commission File No. 1-5672

ITT CORPORATION

Incorporated in the State of Indiana

13-5158950

(I.R.S. Employer Identification No.)

1133 Westchester Avenue, White Plains, NY 10604
(Principal Executive Office)
Telephone Number: (914) 641-2000

Securities registered pursuant to Section 12(b) of the Act, all of which are registered on The New York Stock Exchange, Inc.:

COMMON STOCK, \$1 PAR VALUE

Securities registered pursuant to Section 12(g) of the Act:
None.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Securities Exchange Act. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The aggregate market value of the common stock of the registrant held by non-affiliates of the registrant on June 30, 2008 was approximately \$11.5 billion.

As of January 31, 2009, there were outstanding 181.8 million shares of common stock, \$1 par value, of the registrant.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive proxy statement filed or to be filed with the Securities and Exchange Commission pursuant to Regulation 14A involving the election of directors at the annual meeting of the shareholders of the registrant scheduled to be held on May 12, 2009, are incorporated by reference in Part III of this Form 10-K.

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* Included pursuant to Instruction 3 to Item 401(b) of Regulation S-K.

PART I

ITEM 1. BUSINESS

(In millions, except per share amounts, unless otherwise stated)

GENERAL

ITT Corporation, with 2008 sales and revenues of \$11.7 billion, is a global multi-industry leader in high-technology engineering and manufacturing engaged directly and through its subsidiaries. We generate revenue and cash through the design, manufacture, and sale of a wide-range of engineered products and the provision of services.

Unless the context otherwise indicates, references herein to "ITT," "the Company," and such words as "we," "us," and "our" include ITT Corporation and its subsidiaries. ITT Industries, Inc. was incorporated on September 5, 1995 in Indiana. On July 1, 2006, ITT Industries, Inc. changed its name to ITT Corporation. Reference is made to "– COMPANY HISTORY AND CERTAIN RELATIONSHIPS."

Our World Headquarters is located at 1133 Westchester Avenue, White Plains, NY 10604. Our telephone number is (914) 641-2000.

BUSINESS SEGMENTS

For financial reporting purposes our three principal business segments are referred to as Defense Electronics & Services, Fluid Technology, and Motion & Flow Control.

The table below shows, in percentage terms, consolidated sales and revenues and operating income attributable to each of our business segments for the last three years.

YEAR ENDED DECEMBER 31	2008	2007	2006
Sales and Revenues			
Defense Electronics & Services	54%	46%	47%
Fluid Technology	33	39	39
Motion & Flow Control	13	15	14
	100%	100%	100%
Operating Income			
Defense Electronics & Services	60%	52%	50%
Fluid Technology	39	44	46
Motion & Flow Control	16	19	19
Corporate and Other	(15)	(15)	(15)
	100%	100%	100%

Defense Electronics & Services

Defense Electronics & Services develops, manufactures, and supports high-technology electronic systems and components for worldwide defense and commercial markets, and provides communications systems and engineering and applied research.

Principal manufacturing facilities are located in the United Kingdom and United States of America.

Defense Electronics & Services consists of two major areas (i) Systems and Services and (ii) Defense Electronics. Systems and Services consists of our Systems and Advanced Engineering & Sciences Divisions. Defense Electronics consists of our Electronic Systems, Communications Systems, Space Systems, Night Vision, Electronic Systems, and Intelligence & Information Warfare Divisions.

Systems and Services

The Systems Division provides systems integration, communications, engineering and technical support solutions ranging from strategic command and control and tactical warning and attack assessment, to testing, training and range evaluation. The Systems Division also provides total systems support solutions for combat equipment, tactical information systems and facilities management.

The Advanced Engineering & Sciences Division provides a wide range of research, technologies and engineering support services to government, industrial and commercial customers. In addition, the division provides products and services for information collection, information processing and control, information security, homeland defense, and telecommunications systems. The division will also lead the air traffic control modernization program for the U.S. Federal Aviation Administration ("FAA").

Defense Electronics

The Electronic Systems Division ("ESD") produces a broad range of next generation information, situational awareness and Electronic Warfare ("EW") systems for mission success and survivability for multiple military aircraft, surface ships, submarines, and ground vehicles. These systems include the Advanced Integrated Digital Electronic Warfare System for F-16, Suite of Integrated Radio Frequency Countermeasures for the U.S. Army and Special Operations Forces, and the Integrated Defensive Electronic Countermeasures system for the U.S. Navy's fixed-wing F/A-18 E/F fighter aircraft. The ESD products and technologies include integrated EW systems for self-protection, reconnaissance and surveillance, Counter Improvised Explosive Devices ("CIEDs") for vehicles, mine defense, naval command/sonar applications, and submarine communication and tracking. This includes the CREW Vehicle Receiver Jammer CIED system ("CREW") delivered to the U.S. Navy in support of ongoing military operations. In addition, ESD produces aircraft armament suspension/release equipment for front line fighters such as the U.S. Air Force F-22 Raptor, Joint Strike Fighter and the U.S. Navy's F/A-18E/F, electronic

weapons interface systems, and advanced composite structures for the U.S. Marine Corp MH-53K helicopter and other aircraft subsystems, as well as Giffillan mobile, ship and land-based precision landing and air traffic systems for landing assistance in extreme physical environments.

The Communications Systems Division ("CSD") develops wireless networking systems for tactical military and government systems. CSD is the world's largest provider of military VHF radios, including the Single Channel Ground and Airborne Radio System ("SINCGARS") and Advanced Tactical Communications Systems. CSD is developing new technologies such as Soldier Radio Waveform, the U.S. next-generation capability to support network centric-operations, and already provides many similar capabilities through its SpearNet systems for the individual soldier. CSD's latest fully programmable radio systems, including the SINCGARS SideHat, Soldier Radios and Sensor Radios, are supporting transformational experimentation by the U.S. Army. In addition, CSD provides highly reliable radio systems to the FAA for air traffic control, including the newest ground-to-air radios, complete border control security systems, and reference class Global Positioning System ("GPS") receivers.

The Space Systems Division ("SSD") provides innovative remote sensing and navigation solutions to customers in the defense, intelligence, space science, and commercial aerospace communities. SSD solutions include intelligence, surveillance and reconnaissance, high-resolution commercial imaging, earth and space science, climate and environmental monitoring, GPS navigation, image and data processing and dissemination, and space control and missile defense.

The Night Vision Division ("NVD") supplies the night vision equipment available to U.S. and allied military forces. The equipment includes night vision goggles for fixed and rotary-wing aviators, night vision goggles, monoculars and weapon sights for ground forces, and image intensifier tubes required for all of these systems. NVD is developing advanced technology for the digital battlefield that will allow improved mobility and situational awareness. NVD is also supplying high-performance night vision devices to federal, state and local law enforcement officers in support of homeland security.

The Intelligence & Information Warfare Division ("IIW") designs, develops, manufactures, tests, and deploys hardware and software for the U.S. Government, law enforcement agencies, and commercial use. IIW products are utilized in numerous applications, including protecting soldiers in the field, detecting illegal activity in prisons and secured facilities, and providing high-technology means of communication. IIW products include field-proven protection technologies such as the Mobile Multi-Band Jammer 2.1 and the Multi-User Panoramic Synthetic Vision System, detection and surveillance solutions products such as the Cell Hound™, which detects and locates all active cell phones within or near a facility, and The Guard-Zone™ Surveillance System, which provides a complete 360° radar image for surveillance and automated sensing and tracking of intruders. IIW also provides high-tech communications solutions that support tactical field devices and Mission Operations Centers over a secure web-based portal for remote monitoring and administration of devices.

Sales and revenues for the Defense Electronics & Services business segment were \$6.3 billion, \$4.2 billion, and \$3.7 billion for 2008, 2007 and 2006, respectively. Funded order backlog was \$5.2 billion at the end of 2008 and 2007, and \$3.9 billion in 2006.

The following table illustrates the percentage of sales and revenues for the listed categories for the periods specified:

YEAR ENDED DECEMBER 31	2008	2007	2006
Systems and Services			
Systems	22%	32%	32%
Advanced Engineering & Sciences	15	12	9
Defense Electronics			
Electronic Systems	24	11	10
Communications Systems	18	19	21
Space Systems	10	14	17
Night Vision	8	12	11
Intelligence & Information Warfare	3	-	-
	100%	100%	100%

Defense Electronics & Services sells its products to a wide variety of governmental and non-governmental entities located throughout the world. A substantial portion of the work of Defense Electronics & Services is performed in the United States under prime contracts and subcontracts, some of which by statute are subject to profit limitations and all of which are subject to termination by the U.S. Government. Certain products sold by Defense Electronics & Services have particular commercial application, including night vision devices. The following table illustrates the percentage of sales and revenues for the Defense Electronics & Services customer base:

YEAR ENDED DECEMBER 31	2008	2007	2006
U.S. Government	94%	94%	89%
International governments	3	4	7
Commercial	3	2	4
	100%	100%	100%

The level of activity in Defense Electronics & Services is affected by overall defense budgets, the portion of those budgets devoted to products and services of the type provided by Defense Electronics & Services, our ability to win new contract awards, demand and budget availability for such products and services in areas other than defense, our ability to obtain appropriate export licenses for international sales and business, and other factors. See “– COMPETITION.”

Fluid Technology

Fluid Technology is a leading global provider of water and wastewater treatment systems, pumps and related technologies, and other water and fluid control products with residential, commercial, and industrial applications.

Major production and assembly facilities are located in Australia, Canada, China, France, Germany, Italy, the Netherlands, Norway, Spain, South Korea, Sweden, United Kingdom, and the United States of America.

Principal customers are in North America, Europe, the Middle East, Africa, Latin and South America, and the Asia/Pacific region. Sales are made directly to customers or through independent distributors and representatives.

Brand names include: A-C Pump®, Bell & Gossett®, F.B. Leopold Company®, Flygt®, Flowtronex®, Goulds Pumps®, Hoffman Specialty™, ITT Standard®, Lowara®, Marlow Pumps®, McDonnell & Miller®, Pure-Flo®, Red Jacket Water Products®, Sanitaire®, Vogel®, and WEDECO®.

The Fluid Technology business segment provides goods and services to the following markets: Water & Wastewater, Residential & Commercial Water, and Industrial Process.

Water & Wastewater

The principal products and services for this market include submersible pump systems for water and wastewater control, and biological filtration and disinfection treatment systems for municipal, industrial and commercial applications.

ITT's Flygt® brand is the originator and largest manufacturer of submersible pumps and mixers, which form the heart of many of the world's sewage and wastewater treatment facilities. Additionally, Flygt® is recognized as the market leader for municipal submersible wastewater pumps. Combining Flygt's submersible pumps and mixers with Sanitaire®, WEDECO®, and F.B. Leopold® products (discussed below) provides a solution to customers' needs for complete wastewater transport and treatment systems. Dry mount pumps branded A-C Pump® provide an alternative technical solution to submersible pumps.

Through the Sanitaire® brand, ITT is a leader in biological treatment systems for municipal and industrial wastewater treatment. The broad range of products includes ceramic and membrane fine bubble diffusers, and stainless steel coarse bubble diffusers. ITT also provides advanced membrane filtration engineered systems, reverse osmosis systems, and portable filtration technology. WEDECO® is a leading provider of ultraviolet disinfection and ozone oxidation systems with both municipal and industrial applications. F.B. Leopold® is a leading provider of water and wastewater treatment products with municipal and industrial applications, including clarification and gravity filtration technologies.

Residential & Commercial Water

The principal products and services for this market include pumps, systems, controls and accessories for water wells, pressure boosters, agricultural and irrigation applications, heating, ventilation and air conditioning systems, boiler controls, flood control and fire protection pumps with residential, commercial, light industrial, and agriculture and turf irrigation applications. These products are offered under the Goulds Pumps®, Bell & Gossett®, Flowtronex®, Lowara®, Red Jacket Water Products®, Marlow Pumps® and Vogel® brand names.

Leading product brands, such as Bell & Gossett®, McDonnell & Miller®, and Hoffman Specialty™, provide a broad variety of products for environmental control in buildings and for building service and utility applications, including liquid-based heating and air conditioning systems, liquid level control, and steam trap products for boiler and steam systems. ITT services the European and Middle East building trade markets with pressure boosting pumps under the Lowara® and Vogel® brand names.

Industrial Process

The principal products and services for this market include pumps and valves with chemical, paper and pulp, oil refining and gas processing, power, mining, and general industrial applications, and high-purity systems with biopharmaceutical applications. In addition, we offer a wide array of valve and turnkey systems that are at the heart of extremely demanding manufacturing processes. Our products are used in ultra hygiene processes similar to those found in production of biological and pharmaceutical compounds.

Sales and revenues for the Fluid Technology business segment were \$3.8 billion, \$3.5 billion, and \$3.1 billion for 2008, 2007 and 2006, respectively. Order backlog for Fluid Technology was \$890.1 at the end of 2008, compared with \$887.1 in 2007, and \$702.2 in 2006.

The following table illustrates the percentage of sales and revenues by market for the periods specified:

YEAR ENDED DECEMBER 31	2008	2007	2006
Water & Wastewater	47%	47%	46%
Residential & Commercial Water	32	33	35
Industrial Process	21	20	19
	100%	100%	100%

As one of the world's leading producers of fluid handling equipment and related products for treating and recycling wastewater, ITT actively promotes more efficient use and re-use of water and endeavors to raise the level of awareness of the need to preserve and protect the earth's water resources. ITT strives to provide its global customer base with the systems and solutions they need to meet ever-increasing demands on life cycle cost control and operating efficiencies.

Our strategy to expand across the value chain to provide better service for our customers is moving us from a product supplier to a solution provider. Through ITT's overarching strategic Value Based Product Development program, we now have in place a company-wide system for rapid development of new offerings and technologies to augment our current offering of systems and solutions. This strategy has guided us in our acquisitions and business development efforts. For example, today ITT can extend its core offering of submersible pumps and mixers with systems to control plant operation, technologies that analyze the waste stream, and products and systems to treat water through biological, treatment, filtration, oxidation and disinfection processes.

In the industrial markets, our pump systems are now equipped with intelligent control technologies. Customers engaging in our "total systems approach" generally experience dramatically lower energy consumption, and reduced maintenance and operating costs.

Fluid Technology has a global network of authorized service centers for aftermarket customer care. Our aftermarket service capabilities include the repair and service of all brands of pumps and rotating equipment, engineering upgrades, as well as preventative and routine maintenance and service.

The level of activity in Fluid Technology is dependent upon economic conditions in the markets served, weather conditions and, in the case of municipal markets, the ability of municipalities to fund projects for our products and services, and other factors. See "– COMPETITION."

Motion & Flow Control

Motion & Flow Control is comprised of a group of businesses providing products and services for the areas of defense, aerospace, industrial, transportation, computer, telecom and RV/marine. The Motion & Flow Control businesses primarily serve the high-end of their markets, with highly engineered products, high brand recognition, and a focus on new product development and operational excellence.

Principal manufacturing facilities are located in Germany, Hong Kong, Italy, the Netherlands, Japan, the United Kingdom and United States of America.

Revenue opportunities are balanced between original equipment manufacturing ("OEM") and after-market customers. In addition to the traditional markets of the U.S. and Western Europe, opportunities in emerging markets such as Asia are increasing. Principal customers are located in Brazil, Canada, France, Germany, Italy, Japan, the United Kingdom and United States of America.

Certain Motion & Flow Control businesses were combined during 2008 to improve our strategic alignment with end-markets, and to better leverage our production capabilities and costs structures. This included the consolidation of our Controls and Aerospace Controls businesses into an aerospace-facing business referred to as Control Technologies, and the combination of our Koni® shocks business with our Friction Technologies businesses (now collectively referred to as the Motion Technologies business). The Motion & Flow Control business segment now consists of the Interconnect Solutions, Motion Technologies, Flow Control, Energy Absorption and Control Technologies businesses.

In December 2008, oversight of the Motion & Flow Control business segment was placed under the direction of Gretchen W. McClain, who now serves as President, ITT Fluid and Motion Control, to facilitate operational efficiencies and allow businesses to respond to customer needs more quickly and with greater impact.

Motion Technologies

Motion Technologies designs and manufactures leading brands serving global automotive and railway customers. Products include friction pads and back plates for braking applications for the world's largest manufacturers of cars, trucks and light commercial vehicles, and Koni® shocks, premier adjustable shocks with car, bus, truck, trailer, and rail applications.

Interconnect Solutions

Interconnect Solutions designs and manufactures connectors, interconnects, cable assemblies, multi-function grips, input/output card kits and smart card systems. Markets served include the areas of defense, aerospace, industrial, transportation, computer, and telecom. Connector products are marketed primarily under the Cannon® brand name.

Flow Control

Flow Control is the world's leading producer of pumps and related products for the marine and leisure market. Products sold worldwide under the brand names Jabsco®, Rule®, Flojet®, and Danforth® also serve the recreational vehicle market. ITT, through its Flojet® and Totton® brands, is also a leading producer of pumps and components for beverage applications. Both Jabsco® and Flojet® also produce pumps for other specialty industrial fluid dispensing applications. The Midland-ACS and Alcon businesses provide valve actuation control systems for harsh environments, including oil and gas pipelines, as well as solenoid valves for everything from petrochemical plants to drag cars.

Control Technologies

Control Technologies is a worldwide supplier of valves, actuators, pumps and switches for the commercial, military, regional, business jet and general aviation markets. Products are principally sold to Original Equipment Manufacturers ("OEMs") and the aftermarket in North and South America, Europe and Asia. Control Technologies also sells switches and regulators into the oil and gas, fluid power, power generation, and chemical markets. In addition, product lines in this business include electro-mechanical actuators, servo motors, Computer Numerical Control systems, motion controller and other components with medical imaging, semi-conductor, machine tool, industrial automation, metal fabrication and aircraft seating applications. Under its Conoflow® brand, ITT markets pressure regulators and diaphragm seals for industrial applications and natural gas vehicles.

Energy Absorption

Energy Absorption designs and manufactures a wide range of standard and custom energy absorption and vibration isolation solutions serving the industrial, oil and gas, rail, aviation and defense markets. Products under the Enidine® brand name include shock absorbers, buffers, tow bar snubbers, rate controls, dampers, vibration isolators and other related products.

Sales and revenues were \$1.6 billion, \$1.3 billion, and \$1.1 billion for 2008, 2007 and 2006, respectively. Order backlog for Motion & Flow Control was \$417.1 at the end of 2008, compared with \$440.4 in 2007, and \$409.3 in 2006.

The following table illustrates the percentage of sales and revenues for the listed categories for the periods specified:

YEAR ENDED DECEMBER 31	2008	2007	2006
Motion Technologies	35%	37%	37%
Interconnect Solutions	29	32	35
Flow Control	16	19	20
Control Technologies	11	9	8
Energy Absorption	9	3	—
	100%	100%	100%

The level of activity for Motion & Flow Control is affected by overall economic conditions in the markets served, the competitive position with respect to price, quality, technical expertise, and customer service, as well as weather conditions and natural disasters. See "– COMPETITION."

See "Management's Discussion and Analysis of Financial Condition and Results of Operations" and Note 21, "Business Segment Information," in the Notes to Consolidated Financial Statements for further details with respect to business segments.

Acquisitions, Divestitures, and Restructuring

We have been involved in an ongoing program of acquiring businesses that provide a strategic fit with businesses we presently conduct and divesting businesses that do not enhance that fit. ITT did not acquire or dispose of any significant businesses during 2008.

See Note 3, "Acquisitions," in the Notes to Consolidated Financial Statements for further information regarding these acquisitions.

See Note 5, "Discontinued Operations," in the Notes to Consolidated Financial Statements for further information regarding discontinued operations.

See Note 4, "Restructuring and Asset Impairment Charges," in the Notes to Consolidated Financial Statements regarding restructuring matters. See also "Management's Discussion and Analysis of Financial Condition and Results of Operations – Restructuring and Asset Impairment Charges."

Geographic Markets

Net sales to external customers by geographic market for the year ended December 31, 2008 were as follows:

	DEFENSE ELECTRONICS & SERVICES	FLUID TECHNOLOGY	MOTION & FLOW CONTROL	ITT CONSOLIDATED
United States	96%	37%	35%	68%
Western Europe	2	32	46	18
Asia Pacific	1	11	9	5
Other	1	20	10	9
Total Segments	100%	100%	100%	100%

See Note 21, "Business Segment Information," in the Notes to Consolidated Financial Statements for further geographical information concerning sales and revenues and long-lived assets.

Competition

Substantially all of our operations are in highly competitive businesses. The nature of the competition varies across all business segments. A number of large companies engaged in the manufacture and sale of similar lines of products and the provision of similar services are included in the competition, as are many small enterprises with only a few products or services. Technological innovation, price, quality, reliability, and service are primary factors in the markets served by the various segments of our businesses. Our many products and services go to market collectively linked by the ITT brand, the engineered blocks symbol, and the tagline "Engineered for life." The brand has been enhanced and strengthened over the years through a coordinated effort that includes advertising, public relations activities, trade exhibits, and point-of-sale material.

Our Defense Electronics & Services business segment operates in an environment that has changed as a result of business consolidations. We have adjusted to these changes by focusing on the defense electronics and services markets, by making process improvements, and through capacity rationalization. In most of the markets served by Defense Electronics & Services, competition is based primarily upon price, quality, technological expertise, cycle time, and service.

The Fluid Technology business segment is affected by strong competition, changing economic conditions, periodic industry overcapacity that leads to intense pricing pressures, and public bidding in some markets. We respond to competitive pressures by utilizing strong distribution networks, strong brand names, broad product lines focused on market niches, a global customer base, a continuous stream of new products developed from a strong technology base, a focus on quality and customer service, and through continuous cost improvement programs and life cycle cost initiatives.

In Motion & Flow Control, competition is a significant factor, which has resulted in increased pressure to reduce prices and, therefore, costs. Product capability, quality, engineering support, and experience are also important competitive factors. We are focused on differentiated new product development and maintenance of strong customer relationships, with emphasis on continuous improvement, striving to maintain our competitive advantage.

Exposure to Currency Fluctuations

We conduct operations worldwide; therefore, are exposed to the effects of fluctuations in relative currency values. Although we engage, from time to time, in various hedging strategies with respect to our foreign currency exposure where appropriate, it is not possible to hedge all such exposure. Accordingly, our operating results may be impacted by fluctuations in relative currency values.

Cyclicality

Many of the businesses in which we operate are subject to specific industry and general economic cycles. Certain businesses are subject to industry cycles, including but not limited to the residential and commercial real estate, construction, oil and gas, mining and minerals, marine, transportation, automotive and aerospace industries.

Governmental Regulation and Related Matters

A number of our businesses are subject to governmental regulation by law or through contractual arrangements. Our Defense Electronics & Services businesses perform work under contracts with the United States Department of Defense or other agencies of the United States government and similar agencies in certain other countries. These contracts are subject to security and facility clearances under applicable governmental regulations, including the requirement of background investigations for high-level security clearances for our executive officers. Most of such contracts are subject to termination by the respective governmental parties on various grounds, although such terminations generally are rare.

A portion of our business is classified by the government and cannot be specifically described. The operating results of these classified programs are included in our consolidated financial statements. The business risks associated with classified programs, as a general matter, do not differ materially from those of our other government programs and products.

Environmental Matters

We are subject to stringent environmental laws and regulations concerning air emissions, water discharges and waste disposal.

In the United States, such environmental laws and regulations include the Federal Clean Air Act, the Clean Water Act, the Resource, Conservation and Recovery Act, and the Comprehensive Environmental Response, Compensation and Liability Act. Environmental requirements are significant factors affecting all operations. Management believes that our companies closely monitor all of their respective environmental responsibilities, together with trends in environmental laws. We have established an internal program to assess compliance with applicable environmental requirements for all of our facilities. The program is designed to identify problems in a timely manner, correct deficiencies and prevent future noncompliance. Over the past several years we have conducted regular, thorough audits of our major operating facilities. As a result, management believes that our companies are in substantial compliance with current environmental regulations. Management does not believe, based on current circumstances, that we will incur compliance costs pursuant to such regulations that will have a material adverse effect on our financial position, results of operations or cash flows. In addition, we have purchased insurance protection against certain unknown risks.

See "Legal Proceedings" and "Management's Discussion and Analysis of Financial Condition and Results of Operations – Contingent Liabilities."

Raw Materials

All of our businesses require various raw materials, the availability and prices of which may fluctuate. Although some cost increases may be recovered through increased prices to customers, our operating results are exposed to such fluctuations. We attempt to control such costs through long-term purchasing and various other programs. There have been no raw materials shortages that have had a material adverse impact on our business as a whole.

Research and Development

Our businesses require substantial commitment of resources for research and development activities to maintain significant positions in the markets we serve. Such activities are conducted in laboratory and engineering facilities at several of our major manufacturing locations. Research and development activities are important in all of our business segments. During 2008, 2007 and 2006, we spent \$244.3, \$182.3, and \$160.9, respectively, on research and development. We also spent \$935.2, \$708.9 and \$499.3, in 2008, 2007, and 2006, respectively, on research and development pursuant to customer contracts.

Intellectual Property

While we own and control a number of patents, trade secrets, confidential information, trademarks, trade names, copyrights, and other intellectual property rights which, in the aggregate, are of material importance to our business, management believes that our business, as a whole, is not materially dependent upon any one intellectual property or related group of such properties. We are licensed to use certain patents, technology, and other intellectual property rights owned and controlled by others, and, similarly, other companies are licensed to use certain patents, technology, and other intellectual property rights owned and controlled by us.

Patents, patent applications, and license agreements will expire or terminate over time by operation of law, in accordance with their terms or otherwise. Such expiration or termination of patents, patent applications, and license agreements is not expected by our management to have a material adverse effect on our financial position, results of operations or cash flows.

At the time of the Distribution (see – "Company History and Certain Relationships"), we obtained from ITT Destinations certain exclusive rights and licenses to use the "ITT" name, mark, and logo. In 1999, we acquired all rights, title, and interest in and to the "ITT" name, mark, and logo and an assignment of certain agreements granting The Hartford and ITT Educational Services, Inc. (ESI) limited rights to use the "ITT" name, mark, and logo in their businesses. These agreements are perpetual, and the licenses are subject to maintenance of certain quality standards by both The Hartford and ESI.

Employees

As of December 31, 2008, ITT employed approximately 40,800 people. Approximately 24,100 are employed in the United States, of whom approximately 18% are represented by labor unions. Generally, labor relations have been maintained in a normal and satisfactory manner.

Company History and Certain Relationships

ITT Corporation is an Indiana corporation incorporated on September 5, 1995 as ITT Indiana, Inc. It is the successor pursuant to a statutory merger of ITT Corporation, a Delaware corporation ("ITT Delaware"), into ITT Indiana, Inc. effective December 20, 1995, whereupon its name became ITT Industries, Inc. ITT Delaware, originally incorporated in Maryland in 1920 as International Telephone and Telegraph Corporation, was reincorporated in Delaware in 1968. It changed its name to ITT Corporation in 1983. On December 19, 1995, ITT Delaware made a distribution (the "Distribution") to its stockholders consisting of all the shares of common stock of ITT Destinations, Inc., a Nevada corporation ("ITT Destinations"), and all the shares of common stock of ITT Hartford Group, Inc., a Delaware corporation (now known as The Hartford Financial Services Group, Inc. or "The Hartford"), both of which were wholly-owned subsidiaries of ITT Delaware. In connection with the Distribution, ITT Destinations changed its name to ITT

Corporation. On February 23, 1998, ITT Corporation was acquired by Starwood Hotels & Resorts Worldwide, Inc. On July 1, 2006 ITT Industries, Inc. changed its name to ITT Corporation. ITT Delaware, ITT Destinations, and The Hartford entered into a Distribution Agreement (the "Distribution Agreement") providing for, among other things, certain corporate transactions required to effect the Distribution and other arrangements among the three parties subsequent to the Distribution.

The Distribution Agreement provides for, among other things, assumptions of liabilities and cross-indemnities generally designed to allocate the financial responsibility for the liabilities arising out of or in connection with (i) the former Automotive, Defense & Electronics, and Fluid Technology segments to ITT Industries, Inc. (now ITT Corporation) and its subsidiaries, (ii) the hospitality, entertainment, and information services businesses to ITT Destinations and its subsidiaries, and (iii) the insurance businesses to The Hartford and its subsidiaries. The Distribution Agreement also provides for the allocation of the financial responsibility for the liabilities arising out of or in connection with former and present businesses not described in the immediately preceding sentence to or among ITT Industries, Inc., ITT Destinations, and The Hartford on a shared basis. The Distribution Agreement provides that neither ITT Industries, Inc. (now ITT Corporation), ITT Destinations nor The Hartford will take any action that would jeopardize the intended tax consequences of the Distribution.

ITT Industries, Inc. (now ITT Corporation), ITT Destinations, and The Hartford also entered into agreements in connection with the Distribution relating to intellectual property, tax, and employee benefit matters.

Available Information, Internet Address and Internet Access to Current and Periodic Reports

ITT's website address is www.itt.com. ITT makes available free of charge on or through www.itt.com/ir our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and all amendments to those reports as soon as reasonably practicable after such material is electronically filed with or furnished to the Securities and Exchange Commission (the "SEC"). Information contained on our website is not incorporated by reference unless specifically stated herein. As noted, we file the above reports electronically with the SEC, and they are available on the SEC's web site (www.sec.gov). In addition, all reports filed by ITT with the SEC may be read and copied at the SEC's Public Reference Room located at 100 F Street, N.E., Room 1580, Washington, D.C. 20549. Information on the operation of the Public Reference Room may be obtained by calling the SEC at 1-800-SEC-0330.

See "Management's Discussion and Analysis of Financial Condition and Results of Operations – Forward-Looking Statements" for information regarding forward-looking statements and cautionary statements relating thereto.

ITEM 1A. RISK FACTORS

We are subject to various risks and uncertainties relating to or arising out of the nature of our businesses, financial conditions and results of operations, including those discussed below, which may affect the value of our securities. We believe the risks discussed below are currently the most significant, although additional risks not presently known to us or that we currently deem less significant may also materially impact our business, financial condition and results of operations. If any of the events or circumstances described in the following risk factors occur, our business, financial condition or results of operations may suffer, and the trading price of our common stock could decline.

Adverse macroeconomic and business conditions, particularly in the local economies of the countries or regions in which we sell our products, may significantly and negatively affect our revenues, profitability and results of operations.

Economic conditions in the United States and in foreign markets in which we operate could substantially affect our sales and profitability. Economic activity in the United States and throughout much of the world has undergone a sudden, sharp economic downturn following the recent housing downturn and subprime lending collapse. Global credit and capital markets have experienced unprecedented volatility and disruption. Business credit and liquidity have tightened in much of the world. Consumer confidence and spending are down significantly.

Changes in governmental banking, monetary and fiscal policies to restore liquidity and increase credit availability may not be effective or such effects may be delayed. It is difficult to determine the breadth and duration of the economic and financial market problems and the many ways in which they may affect our suppliers, customers and our business in general. Nonetheless, continuation or further worsening of these difficult financial and macroeconomic conditions could have a significant adverse effect on our sales, profitability and results of operations.

Recent distress in the financial markets has had an adverse impact on the availability of credit and liquidity resources.

Continued market deterioration could jeopardize certain counterparty obligations, including those of our insurers and

financial institutions. If for any reason we lose access to our currently available lines of credit, or if we are required to raise additional capital, we may be unable to do so in the current credit and stock market environment, or we may be able to do so only on unfavorable terms.

The tightening of credit markets may reduce the funds available to our customers to buy our products and services for an unknown, but perhaps lengthy, period. Restrictive credit markets may also result in customers extending times for payment and may result in our having higher customer receivables with increased default rates. General concerns about the fundamental soundness of domestic and foreign economies may also cause customers to reduce their purchases from us even if they have cash or if credit is available to them.

Our business could be adversely affected if we are not able to integrate acquisitions; our acquisitions could cause financial difficulties.

As part of our growth strategy, we plan to pursue the acquisition of other companies, assets and product lines that either complement or expand our existing business. Because of restricted credit markets, our ability to acquire new businesses may be impeded. Further, although we conduct what we believe to be a prudent level of investigation regarding the operating and financial condition of the businesses we purchase, an unavoidable level of risk remains regarding the actual operating condition of these businesses. Until we actually assume operating control of these business assets and their operations, we may not be able to ascertain the actual value or understand the potential liabilities of the acquired entities and their operations.

Acquisitions involve a number of risks and present financial, managerial and operational challenges, including:

- diversion of management attention from other businesses;
- integration of technology, operations, personnel and financial and other systems;
- potentially insufficient internal controls over financial activities or financial reporting at an acquired company that could impact us on a consolidated basis;
- the failure to realize expected synergies;
- the possibility that we have acquired substantial undisclosed liabilities; and
- the loss of key employees of the acquired businesses.

Our integration activities may place substantial demands on our management, operational resources and financial internal control systems. Customer dissatisfaction or performance problems with an acquired business could also have a material adverse effect on our reputation and business. In addition, any acquired business could under-perform relative to our expectations.

If the fair value of any of our reporting units is insufficient to recover the carrying value of the goodwill and other intangibles of the respective reporting unit, a material non-cash charge to earnings could result.

We account for goodwill and indefinite-lived intangibles in accordance with Statement of Financial Accounting Standards ("SFAS") No. 142, "Goodwill and Other Intangible Assets" ("SFAS 142"). SFAS 142 states that goodwill and indefinite-lived intangible assets are not amortized, but are instead reviewed for impairment annually (or more frequently if impairment indicators arise).

We conduct annual impairment testing to determine if we will be able to recover all or a portion of the carrying value of goodwill and indefinite-lived intangibles. In addition, we review goodwill and indefinite-lived intangible assets for impairment more frequently if impairment indicators arise. If the fair value is insufficient to recover the carrying value of our goodwill and indefinite-lived intangibles, we may be required to record a material non-cash charge to earnings.

Consistent with the requirements of SFAS 142, the fair values of our reporting units generally are based on discounted cash flow projections that are believed to be reasonable under current and forecasted circumstances, the results of which form the basis for making judgments about carrying values of the reported net assets of our reporting units. Any significant change in market conditions and estimates or judgments used to determine expected future cash flows that indicate a reduction in carrying value may give rise to impairment in the period that the change becomes known.

Our Fluid Technology and Motion & Flow Control business segments are subject to certain industry risks, which could have adverse effects on the results of our operations.

Many of the businesses in which we operate are subject to specific industry and general economic cycles. Certain businesses are subject to industry cycles, including but not limited to the residential and commercial real estate, construction, oil and gas, mining and minerals, transportation, automotive and aerospace industries. Downturns in these industries could adversely affect portions of our businesses.

Our Fluid Technology business segment depends upon the ability of municipal markets to fund projects involving our products and services. A significant decline or delay in this funding would have an adverse effect on the results of our business.

Industry overcapacity in the pump and valve market could have an adverse impact on the results of our Fluid Technology business segment.

Weather conditions including drought, natural disasters, and excessive rains may negatively affect our Fluid Technology and Motion & Flow Control business segments.

Decrease in demand for replacement parts and services would adversely affect our Fluid Technology and Motion & Flow Control business segments.

Our Defense Electronics & Services business segment is subject to certain risks, including defense budgets and government contract requirements and regulations, which could have adverse effects on the results of our operations.

Because 94% of our Defense Electronics & Services sales and revenues are to the U.S. Government, changes in the portion of the U.S. Defense budget devoted to products and services of the types of products provided by ITT, and our present ability to receive awards of U.S. Government contracts, could adversely impact our business. This includes U.S. Defense programs impacted as a result of program evaluations to be conducted in 2009 under the new U.S. Administration.

Our Defense Electronics & Services business segment records billions of dollars of orders on an annual basis, and we have anticipated that our overall performance will benefit from sales and revenues to certain international markets. Variability of timing and size of certain key orders could negatively impact the performance of these businesses.

Many of our government contracts are subject to profit limitations, which limit our upside potential on a per contract basis, and all are subject to termination by our customers. Termination of key government contracts or a significant number of government contracts would have a negative impact on our business.

Many Defense Electronics & Services contracts are subject to security and facility clearances, as well as export licenses, which, if withdrawn, restricted or made unavailable, would adversely affect our business.

Changes in government contracting regulations, and related governmental investigations could increase our costs of regulatory compliance and could have a negative effect on our brand name and on our ability to win new business.

Our revenues and profitability could be negatively impacted as a result of competition.

We operate in highly competitive industries. Our failure to compete effectively could harm our business. Competitive pressures in all our businesses include product capability, technological innovation, cycle time, price, quality and the reliability of services we offer. In our Defense Electronics & Services and Fluid Technology business segments, competition includes public bidding on many contracts.

Our manufacturing operations are dependent upon third-party suppliers.

We obtain materials from third-party suppliers. Delays in obtaining supplies may result from a number of factors affecting our suppliers, including capacity constraints, labor disputes, the impaired financial condition of a particular supplier, suppliers' allocations to other purchasers, ability to meet regulatory requirements, weather emergencies or acts of war or terrorism. Any delay in our suppliers' abilities to provide us with necessary materials could impair our ability to deliver products to our customers and, accordingly, could have a material adverse effect on our business, results of operations and financial condition.

Our business could be adversely affected if we are not able to execute our restructuring actions or other cost-saving initiatives.

Our restructuring activities may place substantial demands on our management, which could lead to the diversion of management's attention from other business priorities and lack of customer focus. In addition, we strive for and expect to achieve cost savings in connection with certain initiatives, including: (i) manufacturing process and supply chain rationalization; (ii) streamlining redundant administrative overhead and support activities; and (iii) restructuring and repositioning organizations. Cost savings expectations are inherently estimates that are difficult to predict and are necessarily speculative in nature, and we cannot assure you that we will achieve expected, or any, cost savings.

Interest and foreign currency exchange rate and commodity price fluctuations may adversely affect our results.

We are exposed to the risks associated with changes in interest rates, currency exchange rates, and commodity prices. From time to time, we engage in hedging strategies to limit the risks from such fluctuations, but it is not possible to hedge against all eventualities.

We are subject to laws, regulations and potential liability relating to claims, complaints and proceedings,

including those related to antitrust, environmental, product, and other matters.

We are subject to various laws, ordinances, regulations and other requirements of government authorities in foreign countries and in the United States, such as the Foreign Corrupt Practices Act, any violations of which could create a substantial liability for us, and also could cause harm to our reputation. Changes in laws, ordinances, regulations or other governmental policies may significantly increase our expenses and liabilities.

From time to time we are involved in legal proceedings that are incidental to the operation of our businesses. Some of these proceedings allege damages relating to environmental liabilities, product liability, personal injury claims, employment and pension matters, government contract issues and commercial or contractual disputes, sometimes related to acquisitions or divestitures. Additionally, we may become subject to significant claims of which we are currently unaware or the claims of which we are aware may result in our incurring a significantly greater liability than we anticipate or can estimate.

Unanticipated changes in our tax rate or exposure to additional tax liabilities resulting from changes to tax laws among other factors could negatively affect our profitability.

Changes in fair value of our benefit plan assets and other factors may have a material adverse effect on the valuation of pension plan obligations, the funded status of pension plans and our pension cost.

A substantial portion of our current and retired employee population is covered by pension and other employee-related benefit plans. The cost of our these plans is incurred over long periods of time and involve various factors and uncertainties during those periods of time, including the value of plan assets, the expected rates of return on plan assets, discount rates for future payment obligations and trends for future costs. In addition, funding requirements for employee benefit plans are subject to legislative and other government regulatory actions. Financial market volatility during the fourth quarter of 2008 resulted in substantial a decline in the fair market value of our employee pension plan assets. This decline translated into a significant reduction in our shareholders' equity and a comprehensive loss for the year ended December 31, 2008. Continued deterioration in this asset pool or other adverse changes to our overall pension and other employee-related benefit plans, including material declines in the fair value of our pension plan assets, could adversely affect our financial position and results of operations and could require us to make significant funding contributions.

We face heightened legal challenges with respect to intellectual property.

We have developed and actively pursue developing proprietary technology in the industries in which we operate, and rely on intellectual property laws and a number of patents to protect such technology. In doing so, we incur ongoing costs to enforce and defend our intellectual property. Our inability to protect our intellectual property could have a material adverse effect on our business. In addition, third parties may claim that we infringe on their intellectual property, and we could suffer significant litigation or licensing expense as a result.

Our future success will depend on, among other factors, our key employees.

Our ability to operate our business and implement our strategies depends, in part, on the efforts of our executive officers and other key personnel. Our future success will depend on, among other factors, our ability to develop key employee succession plans. The loss of the services of any of our key employees, domestically or abroad, could have a material adverse effect on our business or business prospects.

We are a decentralized company, which presents certain risks.

We are a decentralized company, which presents certain risks. While we believe this practice has catalyzed our growth and enabled us to remain responsive to opportunities and to our customers' needs, it necessarily places significant control and decision-making powers in the hands of local management. This presents various risks, including the risk that we may be slower or less able to identify or react to problems affecting a key business than we would in a more centralized environment. In addition, it means that "company-wide" business initiatives, such as the integration of information technology systems, are often more challenging and costly to implement, and their risk of failure higher, than they would be in a more centralized environment. Depending on the nature of the initiative in question, such failure could materially adversely affect our business, financial condition or results of operations.

These risk factors are discussed in more detail under the captions "BUSINESS – Competition; – Exposure to Currency Fluctuations; – Cyclicity; – Governmental Regulations and Related Matters; – Environmental Matters; – Raw Materials; – Intellectual Property" – "LEGAL PROCEEDINGS" and "CONTROLS AND PROCEDURES."

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Our principal executive offices are in leased premises located in White Plains, NY. We consider the many offices, plants, warehouses, and other properties that we own or lease to be in good condition and generally suitable for the purposes for which they are used. These properties are located in several states in the United States, as well as in numerous countries throughout the world. See "BUSINESS" for further information with respect to properties in each of our business segments. See also Note 13, "Leases and Rentals," in the Notes to Consolidated Financial Statements for further information.

ITEM 3. LEGAL PROCEEDINGS

ITT Corporation and its subsidiaries from time to time are involved in legal proceedings that are incidental to the operation of their businesses. Some of these proceedings allege damages relating to environmental liabilities, intellectual property matters, copyright infringement, personal injury claims, employment and pension matters, government contract issues and commercial or contractual disputes, sometimes related to acquisitions or divestitures.

See Note 19 "Commitments and Contingencies" in the Notes to Consolidated Financial Statements for further information.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matter was submitted to a vote of our shareholders during the fourth quarter of the fiscal year covered by this report.

EXECUTIVE OFFICERS OF THE REGISTRANT

The following information is provided regarding the executive officers of ITT. Each of the executive officers was elected to his or her position to serve at the pleasure of the Company's Board of Directors.

NAME	AGE AT 2/1/09	CURRENT TITLE	OTHER BUSINESS EXPERIENCE DURING PAST 5 YEARS
Angela A. Buonocore	50	Senior Vice President, Chief Communications Officer (2008)	Vice President, Director of Corporate Relations, ITT (2007); Vice President, Corporate Communications, The Pepsi Bottling Group (2001)
Aris C. Chicles	47	Senior Vice President and Director of Strategy and Corporate Development (2008)	Vice President, Director of Strategy and Corporate Development, ITT (2006); Vice President, Business and Corporate Development, American Standard, Inc. (2000)
Scott A. Crum	52	Senior Vice President and Director, Human Resources (2002)	
Donald E. Foley	57	Senior Vice President and Treasurer (2003)	
Janice M. Klettner	48	Vice President, ITT (2008), Chief Accounting Officer and Assistant Secretary (2006)	Vice President, Corporate Controller, Avon Products (1998)
Steven R. Loranger	56	Chairman, President and Chief Executive Officer and Director (2004)	Executive Vice President and Chief Operating Officer of Textron, Inc. (2002)
Vincent A. Maffeo	58	Senior Vice President and General Counsel (1995)	
David F. Melcher	54	Vice President, ITT (2008), President, ITT Defense Electronics & Services	Vice President, Strategy and Business Development, ITT Defense Electronics & Services (2008); Lieutenant General, U.S. Army, Deputy Chief of Staff, Military Deputy for Budget (2006-2008); Deputy Chief of Staff, Programs (2004-2006); Director, Program Analysis and Evaluation, (2002-2004)
Gretchen W. McClain	46	Senior Vice President, ITT (2008), President, ITT Fluid and Motion Control, (2008)	Vice President, President, ITT Fluid Technology (2007); President ITT Residential & Commercial Water (2005); Vice President, Honeywell Aerospace (2004) and Honeywell Engines & Systems (2003)
Robert J. Pagano	46	Vice President, Finance (2006)	Vice President, Corporate Controller (2004) President, ITT Fluid Technology Industrial Products Group (2002)
Denise L. Ramos	52	Senior Vice President and Chief Financial Officer (2007)	Chief Financial Officer, Furniture Brands International (2005); Chief Financial Officer, KFC (2002)

Note: Date in parentheses indicates the year in which the position was assumed.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

COMMON STOCK – MARKET PRICES AND DIVIDENDS

	2008		2007	
	HIGH	LOW	HIGH	LOW
Three Months Ended				
March 31	\$ 66.01	\$ 50.94	\$ 62.33	\$ 56.30
June 30	67.62	52.05	70.44	60.02
September 30	69.73	52.25	73.44	58.09
December 31	56.15	34.75	69.96	60.05

The above table reflects the range of market prices of our common stock as reported in the consolidated transaction reporting system of the New York Stock Exchange, the principal market in which this security is traded (under the trading symbol "ITT"). During the period from January 1, 2009 through January 31, 2009, the high and low reported market prices of our common stock were \$50.80 and \$44.36, respectively.

We declared dividends of \$0.175 and \$0.14 per share of common stock in each of the four quarters of 2008 and 2007, respectively. In the first quarter of 2009, we declared a dividend of \$0.2125 per share for shareholders of record on March 4, 2009.

Dividend decisions are subject to the discretion of our Board of Directors and will be based on, and affected by, a number of factors, including operating results and financial requirements. Therefore, there can be no assurance as to what level of dividends, if any, will be paid in the future.

There were 21,381 holders of record of our common stock on January 31, 2009.

ITT common stock is listed on the New York Stock Exchange and Euronext Exchange.

EQUITY COMPENSATION PLAN INFORMATION

The information called for by Item 5(a) is incorporated herein by reference to the portions of the definitive proxy statement referred to in Item 10 of this Annual Report on Form 10-K set forth under the caption "Equity Compensation Plan Information."

ISSUER PURCHASES OF EQUITY SECURITIES

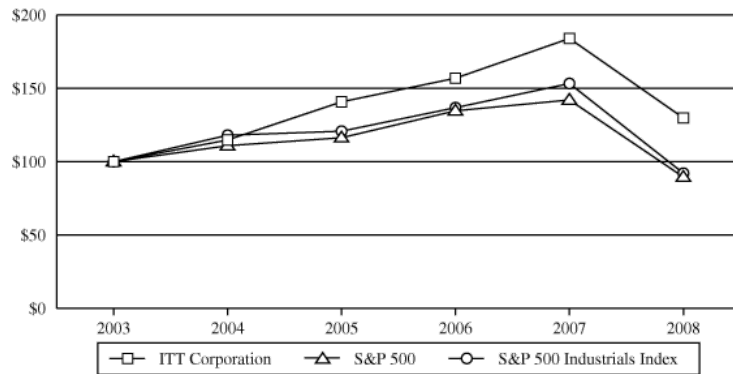
(IN MILLIONS) PERIOD	TOTAL NUMBER OF SHARES PURCHASED	AVERAGE PRICE PAID PER SHARE(1)	TOTAL NUMBER OF SHARES PURCHASED AS PART OF PUBLICLY ANNOUNCED PLANS OR PROGRAMS(2)	MAXIMUM DOLLAR VALUE OF SHARES THAT MAY YET BE PURCHASED UNDER THE PLANS OR PROGRAMS(2)
10/1/08–10/31/08	–	\$ –	–	\$ 569.2
11/1/08–11/30/08	–	\$ –	–	\$ 569.2
12/1/08–12/31/08	–	\$ –	–	\$ 569.2

(1) Average price paid per share is calculated on a settlement basis and excludes commission.

(2) On October 27, 2006, we announced a three-year \$1 billion share repurchase program. On December 16, 2008, we announced that the ITT Board of Directors had approved the elimination of the expiration date with respect to the repurchase program. This program replaces our previous practice of covering shares granted or exercised in the context of ITT's performance incentive plans. The program is consistent with our capital allocation process, which is centered on those investments necessary to grow our businesses organically and through acquisitions, while also providing cash returns to shareholders. Our strategy for cash flow utilization is to invest in our business, pay dividends, repay debt, complete strategic acquisitions, and repurchase common stock. As of December 31, 2008, we had repurchased 7.1 million shares for \$430.8, including commission fees, under our \$1 billion share repurchase program.

**PERFORMANCE GRAPH
CUMULATIVE TOTAL RETURN**

Based upon an initial investment of \$100 on December 31, 2003
with dividends reinvested



	12/31/03	12/31/04	12/31/05	12/31/06	12/31/07	12/31/08
ITT Corporation	\$ 100.00	\$ 114.79	\$ 140.80	\$ 156.92	\$ 184.00	\$ 129.81
S&P 500	\$ 100.00	\$ 110.88	\$ 116.32	\$ 134.69	\$ 142.09	\$ 89.52
S&P 500 Industrials Index	\$ 100.00	\$ 118.03	\$ 120.77	\$ 136.82	\$ 153.29	\$ 92.10

Information provided in the Performance Graph shall not be deemed filed with the SEC.

ITEM 6. SELECTED FINANCIAL DATA

(DOLLARS IN MILLIONS, EXCEPT PER SHARE AMOUNTS)	2008	2007	2006	2005	2004
Results and Position					
Sales and revenues	\$ 11,694.8	\$ 9,003.3	\$ 7,807.9	\$ 7,040.8	\$ 5,965.5
Operating income	1,210.1	977.2	801.0	725.5	587.8
Income from continuing operations	775.2	633.0	499.7	528.8	408.2
Net income	794.7	742.1	581.1	359.5	432.3
Additions to plant, property and equipment	248.7	239.3	177.1	164.4	126.1
Depreciation and amortization	278.3	185.4	171.6	174.4	153.0
Total assets	10,480.2	11,552.7	7,400.6	7,071.9	7,291.3
Long-term debt	467.9	483.0	500.4	516.0	542.3
Total debt	2,146.9	3,566.0	1,097.4	1,266.9	1,269.7
Cash dividends declared per common share	0.70	0.56	0.44	0.36	0.34
Earnings Per Share					
Income from continuing operations					
Basic	\$ 4.29	\$ 3.51	\$ 2.71	\$ 2.86	\$ 2.21
Diluted	\$ 4.23	\$ 3.44	\$ 2.67	\$ 2.80	\$ 2.16
Net income					
Basic	\$ 4.40	\$ 4.11	\$ 3.15	\$ 1.95	\$ 2.34
Diluted	\$ 4.33	\$ 4.03	\$ 3.10	\$ 1.91	\$ 2.29

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

(In millions, except per share amounts, unless otherwise stated)

BUSINESS OVERVIEW

ITT is a global multi-industry leader in high-technology engineering and manufacturing engaged directly and through its subsidiaries. We generate revenue and cash through the design, manufacture, and sale of a wide range of engineered products and the provision of related services. For financial reporting purposes our businesses are aggregated and organized into three principal business segments, Defense Electronics & Services, Fluid Technology, and Motion & Flow Control.

Our growth strategy is centered on both organic and acquisition growth. Our ability to grow organically stems from our value-based product development process, new and existing technologies, distribution capabilities, customer relationships and strong market positions. In addition to our growth initiatives, we have a number of strategic initiatives within the framework of the ITT Management System aimed at enhancing our operational performance. These include global sourcing, footprint rationalization and realignment, Six Sigma and lean fulfillment.

Key Performance Indicators and Non-GAAP Measures

Management reviews key performance metrics including sales and revenues, segment operating income and margins, earnings per share, orders growth, and backlog, among others.

In addition, we consider the following non-GAAP measures to be key performance indicators:

- "organic sales and revenues", "organic orders", and "organic operating income" defined as sales and revenues, orders, and operating income, respectively, excluding the impact of foreign currency fluctuations and contributions from acquisitions and divestitures.
- "free cash flow" defined as cash flow from operations less capital expenditures.

Management believes that these metrics are useful to investors evaluating our operating performance for the periods presented, and provide a tool for evaluating our ongoing operations and our management of assets held from period to period. These metrics, however, are not a measures of financial performance under accounting principles generally accepted in the United States ("GAAP") and should not be considered a substitute for sales and revenue growth (decline), or cash flows from operating, investing and financing activities as determined in accordance with GAAP and may not be comparable to similarly titled measures reported by other companies.

EXECUTIVE SUMMARY

Despite challenging market conditions during the fourth quarter, we achieved record revenue and earnings during 2008. Sales and revenues for the full year ended December 31, 2008 were \$11.7 billion, an increase of 29.9% over 2007. Income from continuing operations increased 22.5% in 2008 over 2007 to \$4.23 per diluted share, reflecting net cost productivity, contributions from acquisitions such as EDO and IMC, organic revenue growth and lower pension expense, which more than offset additional restructuring and realignment costs and strategic growth investments.

Financial highlights for the year ended December 31, 2008 include:

- Sales and revenues for the Defense Electronics & Services business segment of \$6.3 billion, an increase of 50.4% over 2007, attributable to organic revenue growth and the successful integration of the EDO acquisition. Operating income for the segment was \$727.0, a 44.6% increase year-over-year.
- Sales and revenue growth for the Fluid Technology business segment of 9.4% year-over-year to \$3.8 billion, primarily driven by organic revenue growth. Operating income of \$468.7 increased 8.3% year-over-year.
- Sales and revenues for the Motion & Flow Control business segment of \$1.6 billion, up 18.8% over 2007, primarily attributable to the IMC acquisition. For the year, operating income grew 2.3% on a comparable basis to \$191.7.
- Generation of \$870.9 of free cash flow, a 112.3% conversion of income from continuing operations.

Other significant highlights for the year ended December 31, 2008 include:

- Successful integration of our EDO and IMC acquisitions, which contributed more than \$2 billion of sales and revenues in 2008.
- Investments in attractive markets served by both our Motion & Flow Control and Fluid Technology business segments through the opening of new plants, including plants in China, India and the Czech Republic.
- Participation in the development of the next generation Joint Tactical Radio System by our Defense Electronics & Services business segment, which also became the sole provider of enhanced night vision goggles to the U.S. Army, and commenced delivery of the FAA's next generation air traffic control program.
- An investment of approximately \$94.0 in restructuring, asset impairment and realignment actions, including facility consolidations and headcount reductions, during the fourth quarter of 2008 to better position certain businesses for 2009.

- The combination of certain Motion & Flow Control businesses to improve our strategic alignment with end-markets and to better leverage our production capabilities and cost structures. Further details related to these results are contained in the following Consolidated Financial Results and Segment Review sections.

2009 OUTLOOK

Recent changes in the global economic environment, including disruptions in global financial markets and global currency fluctuations, will create difficult 2009 market conditions. In this environment, our strategy is to focus on the current needs of our customers, deploy our capital in a disciplined manner, focus on cost controls, and execute on our operational initiatives.

We are going to focus on our customers by aligning our activities, including our vital service and maintenance offerings, with their needs. We plan to improve product life cycle costs by making our products more energy efficient and by reducing the total cost of ownership.

We are focused on protecting our financial position through continued high free cash flow generation coupled with a balanced capital deployment approach, including the preservation of liquidity, a dividend increase and the elimination of the expiration date of our share repurchase program.

We are proactively reducing costs and leveraging our business and functional strength to achieve competitive advantages. We will continue strategic initiatives within the framework of the ITT Management System aimed at enhancing our operational performance. We are now planning approximately \$50 of new restructuring actions in 2009 and are developing contingency plans that are reactive to any volume declines beyond our expectations for 2009. Other cost and productivity actions include discretionary cost controls, and driving incremental supply chain savings through our integrated global strategic sourcing group.

We continue to plan for the long-term by supporting strategic growth investments, including research and development activities, significant capital investments to support our strategic initiatives, including our position on the FAA next generation air traffic control program, emerging market expansion, and investing in new information technology systems.

Current global economic conditions could have a negative impact on our 2009 performance, particularly within our Fluid Technology and Motion & Flow Control business segments. However, we expect that our Defense Electronics & Services business segment will provide a stable base for 2009 due in part to a strong funded backlog position and a winning program track record.

Factors impacting our 2009 performance, compared to 2008, include revenue declines in our Fluid Technology and Motion & Flow Control business segments, higher pension and other employee benefit-related costs, lower restructuring actions, and benefits from productivity and cost containment initiatives. We also anticipate that foreign currency fluctuations will have a negative impact on our 2009 results of operations.

KNOWN TRENDS AND UNCERTAINTIES

The following list represents a summary of trends and uncertainties, which could have a significant impact on our results of operations, financial position and/or cash flows from operating, investing and financing activities.

- Organic revenues grew 4.9% during the fourth quarter of 2008 compared to the prior year, lower than our full year 2008 growth rate of 7.2%. Additionally, organic orders declined 22.0% and 5.2% during the fourth quarter of 2008 at our Motion & Flow Control and Fluid Technology business segments, respectively. This reflects, in part, the impact of the recent economic downturn. It is difficult to determine the breadth and duration of the recent economic and financial market decline and the many ways in which it may affect our suppliers, customers and our business in general. Continuation or further worsening of these difficult financial and macroeconomic conditions could have a significant adverse effect on our sales, profitability and results of operations.
- The real estate market has suffered greatly over the last year, particularly within the United States and Europe. Continued decline in demand would result in further negative impacts to those portions of our Fluid Technology business segment which sell products with residential and commercial market applications.
- Recent declines in economic conditions could cause certain municipalities to cancel certain projects or delay their related funding, which could have an adverse effect on the results of our Fluid Technology business segment. A portion of our Fluid Technology business segment provides products to end markets such as oil and gas, power, chemical and mining. We expect to see some level of order delays and/or cancellations during 2009 as a result of declining economic conditions and the impact on these end markets.
- The International Air Transport Association recently reported cargo traffic and passenger traffic declines of approximately 23% and 5%, respectively. Continued declines could negatively impact a portion of our Motion & Flow Control businesses segment.
- A portion of our Motion & Flow Control business segment is sensitive to trends within the connector industry. A recent Bishop Report, a publication for the connector industry, forecasts a 2009 decline in sales of approximately 15%.

- The global automotive and marine markets have declined significantly over the last year. OEM production has contracted over the same period. These markets are expected to be challenged during 2009, and as a result, portions of our Motion & Flow Control business segment could be adversely impacted.
- U.S. Defense programs could be impacted as a result of program evaluations to be conducted during 2009. Changes in the portion of the U.S. Defense budget devoted to these programs could adversely impact our business. In addition, we have anticipated that our overall performance will benefit from certain international markets. Variability of timing and size of key orders could negatively impact our future results.
- We expect to incur approximately \$40.6 of net periodic pension cost in 2009. Changes to our overall pension and other employee-related benefit plans, including material declines in the fair value of our pension plan assets among others, could adversely affect our results of operations beyond 2009, as well as require us to make significant funding contributions.
- Recent distress in the financial markets has had an adverse impact on the availability of credit and liquidity resources. Short-term and long-term interest rates increased significantly during the fourth quarter of 2008, including rates on our commercial paper. Volatility in these markets and their impact on interest rates have been somewhat less predictable than in years past. Higher rates would negatively impact our results of operations.

The information provided above does not represent a complete list of trends and uncertainties that could impact our business in either the near or long-term. It should, however, be considered along with the risk factors identified in Item 1A of this Annual Report on Form 10-K and our disclosure under the caption "Forward-Looking Statements" at the end of this section.

BUSINESS SEGMENT OVERVIEW

Summarized below is information on each of our three business segments, including markets served, goods and services provided, relevant factors that could impact results, business challenges, and areas of focus.

Defense Electronics & Services

Our Defense Electronics & Services business segment is designed to serve future needs around safety, security, intelligence and communication. Management believes that the Defense Electronics & Services business segment is well positioned with products and services that support our customers' needs. In addition, we expect new product development to continue to contribute to future growth.

The following provides a summary of the Defense Electronics & Services businesses and the goods and services each provides to its respective end-markets.

Advanced Engineering & Services

Data analysis and research on homeland defense, telecommunications systems and information technology

Communications Systems

Voice and data systems, and battlefield communication technology

Electronic Systems

Force protection, integrated electronic warfare systems, reconnaissance and surveillance, radar and undersea systems, aircraft armament suspension-and-release systems and advanced composite structures

Intelligence & Information Warfare

Intelligence systems and analysis, information warfare solutions and data acquisition and storage

Night Vision

Image intensifier technology, military and commercial night vision equipment

Space Systems

Satellite imaging systems, meteorological and navigation payloads, related information solutions and systems

Systems Division

Systems integration, communications engineering and technical support solutions

Factors that could impact Defense Electronics & Services' financial results include, the level of defense funding by domestic and foreign governments, our ability to receive contract awards, the ability to develop and market products and services for customers outside of traditional markets and our ability to obtain appropriate export licenses for international sales and business. Primary areas of business focus include, new or improved product offerings, new contract wins and successful program execution.

Fluid Technology

Our Fluid Technology business segment provides critical products and services in markets that are driven by population growth, increasing environmental regulation, global security and global infrastructure trends. Fluid Technology products include water and wastewater treatment systems, pumps and related technologies, and other water and fluid control products with residential, commercial, and industrial applications. The following provides a summary of the Fluid Technology

businesses and the goods and services each provides to its respective end-markets.

Water & Wastewater

Submersible pump systems for water and wastewater control, and biological filtration and disinfection treatment systems for municipal, industrial and commercial applications

Residential & Commercial Water

Pumps, systems and accessories for water wells, pressure boosters, agricultural and irrigation applications, heating, ventilation and air conditioning systems, boiler controls, flood control and fire protection pumps, residential, commercial, light industrial, and agriculture and turf irrigation applications

Industrial Process

Pumps and valves for industrial, mining, pulp and paper, chemical and petroleum processing, and high-purity systems for biopharmaceutical applications

Factors that could impact Fluid Technology's financial results include broad economic conditions in markets served, the ability of municipalities to fund projects, raw material prices and continued demand for replacement parts and servicing. Primary areas of business focus include new product development, geographic expansion into new markets, facility rationalization and global sourcing of direct material purchases.

Motion & Flow Control

Our Motion & Flow Control business segment provides highly engineered critical components that serve the high-end of our markets. It's group of businesses provide products and services for the areas of defense, aerospace, industrial, transportation, computer, telecom and RV/marine. Revenue opportunities are balanced between OEM and after-market customers. In addition to its traditional markets of the U.S. and Western Europe, opportunities in emerging markets such as Asia are increasing.

The following provides a summary of the Motion & Flow Control businesses and the goods and services each provides to its respective end-markets.

Motion Technologies

Friction pads and back plates serving global automotive and railway customers; Koni® shocks, premier adjustable shocks with car, bus, truck, trailer, and rail applications

Interconnect Solutions

Connectors, interconnects, cable assemblies, multi-function grips, input/output card kits and smart card systems serving the defense, aerospace, industrial, transportation, computer, and telecom markets

Flow Control

Pumps and related products for the marine and leisure market; pumps and components for beverage applications; pumps for other specialty industrial fluid dispensing applications; valve actuation control systems for harsh environments, including oil and gas pipelines, as well as solenoid valves

Control Technologies

Valves, actuators, pumps, switches for the commercial, military, regional, business and general aviation markets; switches and regulators into the oil and gas, fluid power, power generation, and chemical markets; electro-mechanical actuators, servo motors, Computer Numerical Control systems, motion controller and other components with medical imaging, semi-conductor, machine tool, industrial automation, metal fabrication and aircraft seating applications; pressure regulators and diaphragm seals for industrial applications and natural gas vehicles

Energy Absorption

Wide range of standard and custom energy absorption and vibration isolation solutions including shock absorbers, buffers, tow bar snubbers, rate controls, dampers, vibration isolators and other related products serving the industrial, oil and gas, rail, aviation and defense markets

The Motion & Flow Control businesses' financial results are driven by economic conditions in its major markets, the cyclical nature of the transportation industry, production levels of major auto producers, demand for marine and leisure products, raw material prices, the success of new product development, platform life and changes in technology. Primary areas of business focus include expansion into adjacent markets, new product development, manufacturing footprint optimization, global sourcing of direct material purchases and lean fulfillment.

CONSOLIDATED FINANCIAL RESULTS

	YEAR ENDED DECEMBER 31			2008/2007	2007/2006
	2008	2007	2006	INCREASE (DECREASE) %POINT CHANGE	INCREASE (DECREASE) %POINT CHANGE
Sales and revenues	\$ 11,694.8	\$ 9,003.3	\$ 7,807.9	29.9%	15.3%
Costs of sales and revenues	8,439.4	6,435.0	5,618.4	31.1%	14.5%
Gross profit	3,255.4	2,568.3	2,189.5	26.8%	17.3%
Selling, general and administrative expenses	1,723.5	1,342.7	1,175.9	28.4%	14.2%
Research and development expenses	244.3	182.3	160.9	34.0%	13.3%
Restructuring and asset impairment charges, net	77.5	66.1	51.7	17.2%	27.9%
Operating income	1,210.1	977.2	801.0	23.8%	22.0%
Interest expense	140.8	114.9	86.2	22.5%	33.3%
Interest income	31.3	49.6	25.4	(36.9)%	95.3%
Income tax expense	312.3	265.5	227.6	17.6%	16.7%
Income from continuing operations	775.2	633.0	499.7	22.5%	26.7%
Income from discontinued operations, net of tax	19.5	109.1	81.4	(82.1)%	34.0%
Gross margin	27.8%	28.5%	28.0%	(0.7)	0.5
Selling, general and administrative expenses as a % of sales	14.7%	14.9%	15.1%	(0.2)	(0.2)
Research and development expenses as a % of sales	2.1%	2.0%	2.1%	0.1	(0.1)
Operating margin	10.3%	10.9%	10.3%	(0.6)	0.6
Effective tax rate	28.7%	29.5%	31.3%	(0.8)	(1.8)

SALES AND REVENUES

Sales and revenues for the year ended December 31, 2008 were \$11,694.8, representing a 29.9% increase over 2007. This increase reflects contributions from acquisitions of \$1,948.7, including EDO and IMC, and a benefit of \$98.5 from foreign currency exchange fluctuations. Despite a global economic environment that deteriorated as the year progressed, organic revenues grew 7.2% over the prior year primarily driven by higher volumes, price increases and contributions from new products and programs. During the fourth quarter of 2008, organic revenues grew 4.9%, as portions of our business were impacted by the recent economic downturn.

Sales and revenues for the year ended December 31, 2007 were \$9,003.3, representing a 15.3% increase over 2006. Organic revenue growth of 10.9% over the same period was primarily driven by higher volumes and price increases.

The following table illustrates the impact of organic growth, acquisitions completed during the period, and foreign currency translation fluctuations on sales and revenues during these periods.

	2008/2007 % CHANGE	2007/2006 % CHANGE
Organic growth	7.2%	10.9%
Acquisitions	21.6%	1.9%
Foreign currency translation	1.1%	2.5%
Sales and revenues	29.9%	15.3%

Orders received during 2008 totaled \$11,726.1, an increase of \$2,628.3 over the prior year, including orders attributable to acquisitions and a favorable benefit from foreign currency exchange translation. Organic orders increased 8.5% overall, including growth of 14.8% and 5.6% at our Defense Electronics & Services and Fluid Technology business segments, respectively. Our Motion & Flow Control business segment reported a full year organic orders decline of 3.0%. Organic orders declined at each of our business segments during the fourth quarter of

2008 compared to the same prior year period, including 22.0% and 5.2% decreases at our Motion & Flow Control and Fluid Technology business segments, respectively. We believe that these order declines, taken into consideration with the current level of backlog attributable at our commercial businesses, indicate that our 2009 sales and revenues could be substantially lower than those reported in 2008.

During 2007, we received orders of \$9,097.8, an increase of \$706.1 or 8.4%, over the prior year period. Order growth in 2007 was attributable to our Fluid Technology and Motion & Flow Control business segments, including contributions from both existing businesses and acquisitions.

COSTS OF SALES AND REVENUES AND GROSS PROFIT

Costs of sales and revenues were \$8,439.4 and \$6,435.0 for the years ended December 31, 2008 and 2007, respectively. These results represent increases of 31.1% and 14.5% over each respective prior year, primarily reflecting the impact of acquisitions, including EDO and IMC during 2008, higher organic sales volume over both periods, and the negative impact of foreign currency exchange translation.

Gross profit for the year ended December 31, 2008 was \$3,255.4, a 26.8% increase over 2007. Gross margin of 27.8% decreased 70 basis points for 2008, due to higher production costs, impact from the EDO acquisition, partially offset by price increases, and benefits from productivity and strategic initiatives, including efforts to improve supply chain productivity and control material costs.

Gross profit for the year ended December 31, 2007 was \$2,568.3, a 17.3% increase over 2006. Gross margin improved 50 basis points to 28.5% for 2007. This increase was driven by our productivity and cost savings initiatives, including continued efforts to improve supply chain productivity and control material costs, partially offset by unfavorable mix and foreign currency transaction costs.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses ("SG&A") increased 28.4% to \$1,723.5 for the year ended December 31, 2008. The year-over-year increase was primarily attributable to the acquisitions of EDO and IMC, and a negative impact from foreign currency exchange translation. In addition, we recognized certain loss reserves as a result of realignment actions taken during the fourth quarter of 2008 in our Fluid Technology and Motion & Flow Control business segments.

SG&A increased \$166.8, or 14.2% in 2007. The year-over-year increase was primarily attributable to higher levels of marketing expense at each of our business segments in support of product campaigns and new sales proposals. In addition, general and administrative expense increased due to higher compensation-related costs, investments in growth and process improvement initiatives, and the impact of foreign currency translation.

SG&A as a percentage of sales were 14.7%, 14.9%, and 15.1% for the three years ended December 31, 2008, 2007 and 2006, respectively.

RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses ("R&D") increased \$62.0 and \$21.4 during 2008 and 2007, respectively, over each prior year period. The 2008 increase reflects the impact of our recent acquisitions, including EDO and IMC. R&D as a percentage of sales were relatively consistent at 2.1%, 2.0%, and 2.1% for the three years ended December 31, 2008, 2007 and 2006, respectively, as we continued our efforts within each of our business segments to support product development.

RESTRUCTURING AND ASSET IMPAIRMENT CHARGES, NET

During 2008, 2007 and 2006, we recorded \$77.5, \$66.1 and \$51.7, respectively, of restructuring charges and asset impairment charges, net of restructuring accruals reversed. These charges primarily include facility consolidations and headcount reductions, which reflect our efforts to streamline our operating structure. As a result of a declining global economic environment, we accelerated restructuring activities during the fourth quarter of 2008, which, as a result, will better position our businesses for 2009.

See the section entitled "Restructuring and Asset Impairment Charges" and Note 4, "Restructuring and Asset Impairment Charges," in the Notes to Consolidated Financial Statements for additional information.

OPERATING INCOME

Operating income of \$1,210.1 for 2008 reflects a 23.8% increase over the prior year. This increase was largely due to the impact from our EDO and IMC acquisitions. In addition, we realized organic operating income growth of 18.8% and 7.0% from our Defense Electronics & Services and Fluid Technology business segments, respectively. These contributions were primarily attributable to higher sales volumes and new programs at the Defense Electronics & Services business segment, and price increases at the Fluid Technology business segment. Operating income increased \$4.3 at our Motion & Flow Control business segment primarily due to contributions from acquisitions, such as IMC, and a benefit from foreign currency exchange translation, partially offset by higher production costs.

Operating margin decreased 60 basis points year-over-year to 10.3% for the year ended December 31, 2008. This decrease reflects increased SG&A, including the impact of acquisitions (higher amortization of intangible assets), costs incurred in

connection with our fourth quarter realignment actions, higher restructuring expense, and unfavorable foreign currency transaction costs, partially offset by benefits from operating efficiencies and cost savings initiatives, and lower pension expense.

Operating income of \$977.2 for 2007 reflects a 22.0% increase over the prior year. This increase was driven by organic growth attributable to each of our business segments and the benefit of foreign currency exchange translation. Higher volumes coupled with price increases and benefits from operating efficiencies and cost-saving initiatives more than offset higher production costs and higher SG&A expense.

INTEREST EXPENSE AND INTEREST INCOME

During 2008, 2007 and 2006, we recognized interest expense of \$140.8, \$114.9, and \$86.2, respectively.

Interest expense increased 22.5% during 2008 due to higher levels of debt, primarily reflecting our funding for acquisitions and capital expenditures during the periods, tax-related charges, and higher interest rates during the fourth quarter of 2008, partially offset by lower interest rates during the first nine months of 2008.

Interest expense increased 33.3% during 2007 primarily due to higher average debt levels during the year, reflecting funding for acquisitions, stock repurchases, capital expenditures and pension plan contributions. Partially offsetting the 2007 year-over-year increase was a decrease of \$7.0 in interest expense related to income taxes as a result of the settlement of a tax examination during the second quarter of 2007.

We recorded interest income of \$31.3, \$49.6, and \$25.4 for the years ended December 31, 2008, 2007 and 2006. The year-over-year 2008 decrease and 2007 increase in interest income was driven by the average balance of cash and cash equivalents held over each respective period.

INCOME TAX EXPENSE

Income tax expense was \$312.3 or 28.7% of income from continuing operations for the year ended December 31, 2008, compared to \$265.5 or 29.5% during the prior year. The year-over-year decrease in the effective tax rate was primarily attributable to a tax account validation adjustment and the benefit from mix of earnings in countries with differing statutory rates, partially offset by a benefit recognized during 2007 associated with the settlement of a tax examination.

Income tax expense was \$265.5 or 29.5% of income from continuing operations for the year ended December 31, 2007, compared to \$227.6 or 31.3% during the prior year. The year-over-year decrease in the effective tax rate was primarily attributable to a benefit recognized during 2007 associated with the settlement of a tax examination, partially offset by the impact of a penalty recognized in 2006 associated with a Night Vision compliance matter.

See Note 6, "Income Taxes," in the Notes to Consolidated Financial Statements for additional information.

INCOME FROM DISCONTINUED OPERATIONS, NET OF TAX

During 2007, we sold the majority of the Switches businesses to a private equity firm, for net proceeds of \$223.2, and an after-tax gain of \$84.4. During the third quarter of 2008, we completed the sale of the remaining component of the Switches businesses to the same buyer, for net proceeds of \$5.1. As a result, we recorded an after-tax gain on sale of \$5.4 for the year ended December 31, 2008.

In the first quarter of 2006, we completed the sale of FHS, our automotive brake and fueling tubing and components business to a privately held company for net proceeds of \$187.7 and a gain of \$19.0. The business, which was a component of our Motion & Flow Control business segment, manufactures steel and plastic tubing for fuel and brake lines, quick-connects, and serves the transportation industry.

During the first quarter of 2006, we also completed the sale of Richter, our industrial non-metallic lined pumps and valves business to a private equity investor for net proceeds of \$24.8 and a gain of \$22.2. The business, which was a component of the Fluid Technology business segment, was a manufacturer of pumps and valves for selected segments in the chemical, fine chemical and pharmaceutical industries.

See Note 5, "Discontinued Operations," in the Notes to Consolidated Financial Statements for additional information.

SEGMENT REVIEW

	REVENUE			OPERATING INCOME			OPERATING MARGIN		
	2008	2007	2006	2008	2007	2006	2008	2007	2006
Defense Electronics & Services	\$ 6,282.3	\$ 4,176.2	\$ 3,659.3	\$ 727.0	\$ 502.7	\$ 404.3	11.6%	12.0%	11.0%
Fluid Technology	3,840.6	3,509.1	3,070.1	468.7	432.7	370.6	12.2%	12.3%	12.1%
Motion & Flow Control	1,583.4	1,332.5	1,092.9	191.7	187.4	149.7	12.1%	14.1%	13.7%
Corporate and Other/Eliminations	(11.5)	(14.5)	(14.4)	(177.3)	(145.6)	(123.6)	-	-	-
Total	\$ 11,694.8	\$ 9,003.3	\$ 7,807.9	\$ 1,210.1	\$ 977.2	\$ 801.0	10.3%	10.9%	10.3%

Defense Electronics & Services

Sales and revenues for the year ended December 31, 2008 increased 50.4% over the prior year to \$6,282.3. During 2007, sales and revenues were \$4,176.2, an increase of 14.1% over 2006. The following table illustrates the impact of organic growth, and acquisitions completed during the period on sales and revenues.

	2008/2007 % Change	2007/2006 % Change
Organic growth	8.2%	12.6%
Acquisitions	42.3%	1.5%
Foreign currency translation	(0.1)%	-
Sales and revenues	50.4%	14.1%

2008 Versus 2007

Acquisitions, including EDO and its shipments of CREW, contributed \$1,766.4 in sales and revenues for the year ended December 31, 2008. Organic sales increased \$341.9 or 8.2%, primarily due to contributions from the Advanced Engineering & Sciences Division, driven by both existing and new contracts, including classified research programs, data analysis contracts, and the Federal Aviation Administration's contract to build the next generation air-traffic control system. Organic revenue growth was also attributable to contributions from our Communications Systems Division, driven by strength in international Single Channel Ground and Airborne Radio sales, and Systems Division, primarily driven by non-conflict related programs such as SENSOR, missile defense and space control programs. Positive contributions from the GPS Navigation and the GeoEye projects were more than offset by declines in remote sensing and classified government programs at our Space Systems Division. Night Vision Division organic sales increased as a result of contributions from new products and higher international sales. Sales and revenues from our Electronic Systems Division was relatively flat year-over-year, as decreases in our radar systems offset contributions from avionics.

Operating income increased \$224.3 or 44.6% during 2008. Acquisitions, including EDO, contributed \$129.8 during 2008, with the remaining increase of \$94.5 attributable to organic growth. The year-over-year organic growth increase was primarily attributable to the previously mentioned sales drivers. Operating margins decreased 40 basis points to 11.6%, reflecting higher production costs, higher amortization of intangible assets recognized as a result of the EDO acquisition, partially offset by benefits from productivity improvements and supply chain initiatives.

2007 Versus 2006

The benefit of new programs and sales growth on existing contracts, particularly at the Advanced Engineering & Services and Systems Divisions, drove the 2007 increase in sales and revenues. In addition, volume declines within Space Systems business due to lower content on certain platforms partially offset the segment's overall performance. Results attributable to acquisitions during 2007 related primarily to EDO.

Operating income increased \$98.4 or 24.3% during 2007. Excluding the impact of acquisitions, operating income increased \$102.0 or 25.2%. This increase was primarily attributable to the previously mentioned sales drivers. Operating margins of 12.0% during 2007, reflect a 100 basis point improvement over 2006. This increase was attributable to increased operating efficiencies, partially offset by estimated costs to settle compliance issues in the Defense Electronics & Services business segment.

Orders and Backlog

The level of order activity related to programs within the Defense Electronics & Services business segment can be affected by the timing of government funding authorizations and project evaluation cycles. Year-over-year comparisons could, at times, be impacted by these factors, among others.

We received orders of \$6,232.9 during 2008, an increase of \$2,159.0 over the prior year, primarily attributable to contributions from acquisitions of \$1,555.1, including EDO. Organic orders grew 14.8% over the prior year. Funded order backlog was \$5.2 billion at December 31, 2008 and 2007.

We received orders of \$4,073.9 during 2007, a decrease of \$44.1 compared with the prior year. Funded order backlog was

\$5.2 billion at December 31, 2007, compared to \$3.9 billion at December 31, 2006.

Fluid Technology

Sales and revenues for the year ended December 31, 2008 were \$3,840.6, reflecting an 9.4% increase over 2007. During 2007, sales and revenues grew 14.3% over 2006 to \$3,509.1. The following table illustrates the impact of organic growth, acquisitions completed during the period, and foreign currency translation fluctuations on sales and revenues during these periods.

	2008/2007 % CHANGE	2007/2006 % CHANGE
Organic growth	7.7%	8.9%
Acquisitions	0.3%	0.9%
Foreign currency translation	1.4%	4.5%
Sales and revenues	9.4%	14.3%

2008 Versus 2007

Sales and revenues increased \$331.5 over the prior year. This increase was primarily attributable to organic growth of 7.7%, driven by higher volume and price, and the benefit from foreign exchange translation. Factors driving organic sales growth were as follows:

Water & Wastewater

Organic sales increased \$104.5 or 6.3% for the year ended December 31, 2008, due to strength in water/wastewater transport, particularly within the municipal market, and dewatering, primarily attributable to the mining market.

Residential & Commercial Water

Organic sales increased \$55.4 or 4.7% for the year ended December 31, 2008, respectively, due to strength in global commercial markets; strength in the North American agriculture/irrigation market, offset by weakness in the North American residential market.

Industrial Process

Organic sales increased by \$121.9 or 17.3% for the year ended December 31, 2008, due to strength in our industrial operations, particularly within the chemical, oil and gas, power and mining markets.

Operating income for the year ended December 31, 2008 increased \$36.0 or 8.3% over prior year, with a benefit of 1.3% attributable to foreign currency exchange translation. Organic operating income growth of 7.0% was primarily attributable to the previously mentioned sales drivers. Operating margins decreased 10 basis points to 12.2% during 2008, reflecting higher production costs, as well as costs associated with the disposition of a manufacturing facility, partially offset by benefits from productivity improvements and supply chain initiatives and lower pension expense.

During 2008, we received orders of \$3,938.7, an increase of \$281.6 or 7.7% over the prior year, primarily due to organic order growth of \$204.7 or 5.6%. This increase was primarily attributable to Industrial Process, resulting from strength in large project orders and strength in international markets. Order backlog was \$890.1 at December 31, 2008, compared to \$887.1 at December 31, 2007.

2007 Versus 2006

During 2007, we recognized sales and revenues of \$3,509.1, an increase of \$439.0 or 14.3% over 2006, including a \$138.3 benefit from foreign currency exchange translation. Organic revenues grew 8.9% year-over-year due to higher prices and increased sales volume in international markets such as Europe, the Middle East, Africa, Central and South America and Asia/Pacific.

Water & Wastewater

Organic sales grew 8.3%, on strength in large pump sales and the dewatering business, partially offset by softness in the U.S. water treatment business.

Residential & Commercial Water

Organic sales grew 5.7%, as strength in commercial applications was partially offset by softness in the residential market.

Industrial Process

Organic sales increased by 17.3%, resulting from strength in large project sales, particularly in the mining and oil and gas markets.

Operating income for the year ended December 31, 2007 increased \$62.1 or 16.8% over prior year, with a benefit of 5.2% attributable to foreign currency exchange translation. The 2007 year-over-year organic income growth was primarily attributable to the previously mentioned sales drivers. Operating margins increased 20 basis points to 12.3% during 2007, reflecting higher prices, favorable sales mix, lower restructuring expense, and benefits from productivity improvements and supply chain initiatives, partially offset by increased production costs and selling, general and administrative expense.

During 2007, we received orders of \$3,657.1, an increase of \$513.0 or 16.3% over the prior year. This increase was primarily attributable to strength in water transport, particularly within the mining and the public utility/municipal markets, and continued strength in industrial project orders. Order backlog was \$887.1 at December 31, 2007, compared to \$702.2 at December 31, 2006.

Motion & Flow Control

Sales and revenues for the year ended December 31, 2008 were \$1,583.4, reflecting an 18.8% increase over 2007. During 2007, sales and revenues grew 21.9% over 2006 to \$1,332.5. The following table illustrates the impact of organic growth, acquisitions completed during the period, and foreign currency translation fluctuations on sales and revenues during these periods.

	2008/2007 % CHANGE	2007/2006 % CHANGE
Organic growth	2.1%	10.2%
Acquisitions	12.9%	6.3%
Foreign currency translation	3.8%	5.4%
Sales and revenues	18.8%	21.9%

2008 Versus 2007

Sales and revenues increased \$250.9 over the prior year, primarily attributable to contributions from IMC and the benefit of foreign currency exchange translation. Organic sales and revenues grew \$27.4 or 2.1%. Factors driving this increase were as follows:

Motion Technologies

Organic sales increased \$26.9 or 5.4%. These increases were attributable to higher volumes of OEM components (new platform wins), and aftermarket brake pad sales. These contributions were partially offset by a general slowdown during the second half of 2008 in the global automotive markets.

Interconnect Solutions

Organic sales increased on higher volumes by \$16.1 or 3.8%, primarily attributable to the Americas and Asia markets (strength in medical, defense, aerospace, rail and industrial markets, particularly within the oil & gas industry).

Flow Control

Organic sales decreased \$25.0 or 9.9%. This decrease was primarily attributable to an overall decline in the bath, spa and whirlpool markets, partially offset by positive contributions from the domestic beverage market.

Control Technologies

Organic sales increased \$12.9 or 11.0%, primarily driven by strength in commercial/aerospace aftermarket products.

Energy Absorption

Organic sales decreased \$2.0 or 4.8%, primarily reflecting a decline in the global industrial market.

Operating income increased \$4.3 or 2.3% including contributions from acquisitions and the benefit from foreign currency exchange translation. Operating income declined \$28.0 or 14.9% on an organic basis primarily due to costs associated with the planned sale of our Spa and Whirlpool and European Industrial Distribution business, higher restructuring expense and production costs, partially offset by increased sales volume, benefits from productivity improvements and supply chain initiatives, and lower pension expense.

Operating margins decreased 200 basis points to 12.1% during 2008, primarily reflecting the factors described above.

During 2008, we received orders of \$1,563.3, an increase of \$184.3 or 13.4% over the prior year. This increase was driven by contributions from acquisitions, including IMC, and the benefit from foreign currency exchange translation, partially offset by a decline in organic orders of 3.0%. Order backlog was \$417.1 at December 31, 2008, compared to \$440.4 at December 31, 2007.

2007 versus 2006

Sales and revenues increased \$239.6 or 21.9% over the prior year, attributable to organic sales growth of \$111.7 or 10.2%, contributions from acquisitions, including IMC, of \$69.2 and the benefit of foreign currency exchange translation of \$58.7. Significant factors attributable to the organic sales growth are illustrated in the table below.

Motion Technologies

Organic sales increased \$51.1 or 12.6%. This increase were attributable to higher volumes on new European platforms and existing programs.

Interconnect Solutions

Organic sales increased \$34.4 or 9.0% due to higher volumes of electronic components sales, particularly in Asia and the Americas.

Flow Control

Organic sales increased \$10.2 or 4.5%. This increase was primarily attributable to higher volumes in the marine, industrial and beverage markets, partially offset by declines in the bath, spa and whirlpool markets.

Control Technologies

Organic sales increased \$15.6 or 18.9%, primarily due to higher sales to commercial, military and to a lesser extent industrial markets.

Operating income increased \$37.7 or 25.2% for 2007 compared to 2006. Organic operating income increased \$26.9 or 18.0% over the same period. The year-over-year increase was primarily driven by higher sales volumes, cost reduction initiatives, and operating efficiencies. These benefits were partially offset by higher material costs, unfavorable mix, and higher SG&A expense, including increased marketing expense,

higher compensation costs and the impact of foreign currency translation.

Operating margin was 14.1% and 13.7% for 2007 and 2006, respectively. The year-over-year increase primarily reflects the factors discussed above.

We received orders of \$1,379.0 reflecting an increase of \$237.6 or 20.8% over the prior year period. Order growth was attributable to each business within the segment, including Motion Technologies, driven by the previously mentioned new platforms in Europe, and Control Technologies. Order backlog was \$440.4 at December 31, 2007, compared to \$409.3 at December 31, 2006.

Corporate and Other

Corporate expenses of \$177.3 for the year ended December 31, 2008 increased \$31.7 compared to the same prior year period, primarily reflecting higher bonus and restructuring costs, as well as corporate initiatives, including expanded resources and review procedures in the tax accounting function. Corporate expenses of \$145.6 for 2007 increased \$22.0 compared to the prior year, primarily reflecting higher bonus, stock-based compensation, pension and post-employment benefits and other compensation-related expenses.

Restructuring and Asset Impairment Charges

Fourth Quarter 2008 Restructuring Activities and Asset Impairment Charges

In response to current and anticipated market conditions, we accelerated restructuring activities across our businesses during the fourth quarter of 2008. These restructuring actions resulted in a net restructuring charge of \$56.3 and related payments of \$9.5. We anticipate an additional \$6.2 of restructuring charges will be incurred and payments of \$47.7 will occur during 2009 related to these actions.

Components of Charges

	FOURTH QUARTER 2008 ACTIONS						PLANNED POSITION ELIMINATIONS
	SEVERANCE	OTHER EMPLOYEE-RELATED COSTS	LEASE CANCELLATION & OTHER COSTS	ASSET WRITE-OFFS	TOTAL		
Fluid Technology	\$ 24.1	\$ 0.2	\$ 0.4	\$ 0.1	\$ 24.8	523	
Defense Electronics & Services	8.3	0.7	0.4	-	9.4	144	
Motion & Flow Control	19.7	0.3	0.3	0.8	21.1	578	
Corporate and Other	0.9	0.1	-	-	1.0	13	
	\$ 53.0	\$ 1.3	\$ 1.1	\$ 0.9	\$ 56.3	1,258	

The charges associated with actions announced during the fourth quarter of 2008 primarily represent a reduction of structural costs in all business segments and the planned closure of a facility within the Motion & Flow Control business segment. Planned position eliminations total 1,258, including 601 factory workers, 629 office workers and 28 management employees.

The projected future savings over a five-year horizon from restructuring actions announced during the fourth quarter of 2008 are approximately \$63 during 2009, and \$267 between 2010 and 2013.

Additionally, during the fourth quarter of 2008, we recorded a net restructuring and asset impairment charge of \$5.3, reflecting costs of \$3.9 related to prior actions and the reversal of \$0.4 of restructuring accruals that management determined would not be required, as well as an asset impairment charge of \$1.8 related to the write-down of software due to a decision to cancel a project as a result of an organizational realignment.

2008 Restructuring Activities

During 2008, we recorded a net restructuring charge of \$74.6, reflecting costs of \$66.9 related to new actions and \$9.3 related to prior years' plans, as well as the reversal of \$1.6 of restructuring accruals that management determined would not be required.

Components of Charges

	2008 ACTIONS						PLANNED POSITION ELIMINATIONS	PRIOR YEARS' PLANS ADDITIONAL COSTS	REVERSAL OF ACCRUALS
	SEVERANCE	OTHER EMPLOYEE-RELATED COSTS	LEASE CANCELLATION & OTHER COSTS	ASSET WRITE-OFFS	TOTAL				
Fluid Technology	\$ 30.7	\$ 0.4	\$ 0.9	\$ 0.1	\$ 32.1	600	\$ 3.2	\$ (1.0)	
Defense Electronics & Services	9.6	0.7	0.6	-	10.9	157	0.1	(0.2)	
Motion & Flow Control	20.5	0.6	0.4	0.8	22.3	589	6.0	(0.4)	
Corporate and Other	1.4	0.1	0.1	-	1.6	14	-	-	
	\$ 62.2	\$ 1.8	\$ 2.0	\$ 0.9	\$ 66.9	1,360	\$ 9.3	\$ (1.6)	

The charges associated with actions announced during 2008 primarily represent a reduction of structural costs in all business segments and the planned closure of a facility in the Motion & Flow Control business segment and a facility in the Defense Electronics & Services business segment. Planned position eliminations total 1,360, including 614 factory workers, 704 office workers and 42 management employees. The costs associated with the prior years' plans primarily reflect severance and lease cancellation related costs.

Payments of \$16.1 were made during 2008 related to actions announced during 2008.

The projected future savings over a five year horizon from restructuring actions announced during 2008 are approximately \$73 during 2009 (of which \$69 is incremental to savings realized in 2008), and \$308 between 2010 and 2013.

2008 Asset Impairment Charges

During 2008, we recognized \$2.9 of charges related to the impairment of long-lived assets. During the fourth quarter of 2008, we recognized an asset impairment charge of \$1.8 related to the write-down of software due to a decision to cancel a project as a result of an organizational realignment. During the third quarter of 2008, we recognized an impairment charge of \$1.1 related to one of our Motion & Flow Control businesses, reflecting the reduction of our expected future earnings for this business.

2007 Restructuring Activities

During 2007, we recorded a net restructuring charge of \$61.1, reflecting costs of \$57.9 related to new actions and \$7.4 related to prior year plans, as well as the reversal of \$4.2 of restructuring accruals that management determined would not be required.

Components of Charges

	2007 ACTIONS						PLANNED POSITION ELIMINATIONS	PRIOR YEARS' PLANS ADDITIONAL COSTS	REVERSAL OF ACCRUALS
	SEVERANCE	OTHER EMPLOYEE-RELATED COSTS	LEASE CANCELLATION & OTHER COSTS	ASSET WRITE-OFFS	TOTAL				
Fluid Technology	\$ 32.7	\$ 0.5	\$ 1.4	\$ 2.1	\$ 36.7	410	\$ 3.5	\$ (1.1)	
Defense Electronics & Services	6.2	-	1.5	-	7.7	115	2.9	(0.9)	
Motion & Flow Control	9.5	-	0.3	0.4	10.2	201	1.0	(0.5)	
Corporate and Other	3.3	-	-	-	3.3	3	-	(1.7)	
	\$ 51.7	\$ 0.5	\$ 3.2	\$ 2.5	\$ 57.9	729	\$ 7.4	\$ (4.2)	

The charges associated with actions announced during 2007 represent a reduction of structural costs in all business segments and the planned closure of four facilities in the Fluid Technology business segment, one facility in the Motion & Flow Control business segment and two facilities in the Defense Electronics & Services business segment. Planned position eliminations total 729, including 341 factory workers, 345 office workers and 43 management employees. The costs associated with prior years' plans primarily reflect additional costs related

to an adjustment to the write-off of leased space as well as asset write-offs and severance costs.

Payments of \$26.8 were made during 2007 related to actions announced during 2007.

The projected future savings over a four-year horizon from restructuring actions announced during 2007 are approximately \$57 during 2009, and \$173 between 2010 and 2012.

2007 Asset Impairment Charges

During the fourth quarter of 2007, we recognized \$5.0 of charges related to the impairment of long-lived assets. The impairment was the result of our determination that two businesses, one within the Motion & Flow Control business segment and one within the Fluid Technology business segment, were experiencing lower than expected financial results, and as a result certain long-lived assets of those businesses may be impaired. After revising the earnings forecasts for those businesses to reflect current business conditions, asset impairment charges of \$4.2 and \$0.8 were recorded within the Motion & Flow Control and Fluid Technology business segments, respectively.

2006 Restructuring Activities

During 2006, we recorded a net restructuring charge of \$51.7, reflecting costs of \$52.7 related to new actions and \$3.8 related to prior year plans, as well as the reversal of \$4.8 of restructuring accruals that management determined would not be required.

Components of Charges

	2006 ACTIONS					TOTAL	PLANNED POSITION ELIMINATIONS	PRIOR YEARS' PLANS ADDITIONAL COSTS	REVERSAL OF ACCRUALS
	SEVERANCE	OTHER EMPLOYEE-RELATED COSTS	LEASE CANCELLATION & OTHER COSTS	ASSET WRITE-OFFS					
Fluid Technology	\$ 17.0	\$ 2.8	\$ 5.7	\$ 1.2	\$ 26.7	441	\$ 0.9	\$ (0.9)	
Defense Electronics & Services	3.2	0.1	3.9	-	7.2	113	-	(0.9)	
Motion & Flow Control	11.3	0.1	4.1	1.2	16.7	236	2.8	(3.0)	
Corporate and Other	2.1	-	-	-	2.1	26	0.1	-	
	\$ 33.6	\$ 3.0	\$ 13.7	\$ 2.4	\$ 52.7	816	\$ 3.8	\$ (4.8)	

The charges associated with actions announced during 2006 represent a reduction of structural costs in all business segments and the closure of three facilities in the Fluid Technology business segment, two in the Motion & Flow Control business segment and one in the Defense Electronics & Services business segment. Planned position eliminations total 816, including 427 factory workers, 360 office workers and 29 management employees. The costs associated with prior years' plans primarily reflect additional severance costs.

Payments of \$20.5 were made during 2006 related to actions announced during 2006.

The projected future savings over a three-year horizon from restructuring actions announced during 2006 are approximately \$49 during 2009, and \$97 between 2010 and 2011.

Employee Benefit Plans

Pension Expense

We recorded \$0.3 of net periodic pension income in the Consolidated Income Statement in 2008, compared with net periodic pension cost of \$61.7 in 2007. As more fully described in Note 16, "Employee Benefit Plans," in the Notes to Consolidated Financial Statements, the primary drivers behind the decrease in the net periodic pension cost were the effect of a higher expected return on plan assets and a decrease in the amortization of deferred losses.

In 2009, we expect to incur approximately \$40.6 of net periodic pension cost that will be recorded in the Consolidated Income Statement. The increase in net periodic pension cost is primarily due to the effect of an increase in the amortization of deferred losses partially offset by an increase in the discount rate for the foreign plans.

Funded Status, Plan Contributions and Other

During the fourth quarter of 2008, we recognized a substantial decline in the fair market value of our employee pension plan assets, contributing to a pre-tax charge to other comprehensive loss of \$2.1 billion and a decrease of \$1.3 billion in shareholders' equity. Further, this decline also contributed to a reduction in the funded status of our U.S. Salaried Pension Plan, which represents approximately 78% of our total pension obligation.

At December 31, 2008, the U.S. Salaried Pension Plan had an unfunded deficit of \$1.1 billion. For the balance of our funded pension plans, including foreign and affiliate plans, the aggregate funded status decreased by \$274.4 resulting in a net unfunded balance at December 31, 2008 of \$222.2. In addition, we had \$359.2 in pension plans where funding is

not permitted or, in foreign environments, where funding is not feasible.

Funding requirements under IRS rules are a major consideration in making contributions to our pension plans. With respect to qualified pension plans, we intend to contribute annually not less than the minimum required by applicable law and regulations. In 2008, we contributed \$24.1 to pension plans. We currently anticipate making contributions to pension plans in the range of \$20 to \$25 during 2009.

The Pension Protection Act of 2006 (the "Pension Act") contains funding requirements for defined benefit pension plans. The Pension Act establishes a 100% funding target over 7 years for plan years beginning after December 31, 2007. No shortfall amortization payments are required if the pension plan meets the following targets: 92% funded in 2008; 94% funded in 2009; and 96% funded in 2010. The Worker, Retiree, and Employer Recovery Act of 2008 ("WRERA") was passed in December 2008. WRERA provides (i) the shortfall amortization charge will be based on the transition percentages (92% in 2008, 94% in 2009, 96% in 2010 and 100% thereafter as opposed to the original PPA language of 100% of funding target, (ii) clarification that the averaging method used to value assets is to be adjusted for expected earnings which results in "asset smoothing", and (iii) relief from the restriction on benefit accruals in 2009, by allowing a plan sponsor to use the greater of the Adjusted Funding Target Attainment Percentage from January 1, 2008 and January 1, 2009.

In 2009, we are not required to make any mandatory contributions to our U.S. Salaried Plan to satisfy minimum statutory funding requirements. Further, assuming that actual plan returns are consistent with our expected plan return of nine percent in 2009, interest rates remain constant, and there are no additional changes to U.S. pension funding legislation, we would not be required to make any mandatory contributions in 2010. We may, however, make voluntary contributions over the next two years to improve the funded status of our U.S. Salaried Plan.

Funded status at the end of 2009, and future required contributions, will depend primarily on the actual return on assets during the year and the discount rate at the end of the year. Depending on these factors, and the resulting funded status of our pension plans, the level of future contributions could be material.

Recoverable Pension Costs and Plan Contributions

U.S. Government Cost Accounting Standards govern the extent to which pension costs and plan contributions are allocable to and recoverable under contracts with the U.S. Government. The Defense Electronics & Services business segment represents approximately 70% of the active U.S. Salaried Plan participants. As a result, we have sought and would seek reimbursement from the Department of Defense for a portion of our pension costs and plan contributions.

Cash Flow Summary

YEAR ENDED DECEMBER 31	2008	2007	2006
Operating Activities	\$ 1,119.6	\$ 798.1	\$ 780.7
Investing Activities	(502.9)	(1,958.1)	(46.3)
Financing Activities	(1,407.4)	1,981.1	(370.2)
Discontinued Operations – Operating Activities	(9.1)	(16.2)	80.2

Operating Activities

Cash provided by operating activities in 2008 increased \$321.5 from the prior year. This significant increase is partially due to a \$235.1 increase in income from continuing operations, excluding non-cash increases in depreciation and amortization, combined with a reduction in contributions to the U.S. Salaried Pension Plan (reflected within the change of other current and non-current assets). There were no contributions to the U.S. Salaried Pension Plan made in 2008 as compared to \$50.0 in 2007. Working capital provided a modest increase in cash from last year as a \$123.8 reduction in the use of cash from accounts receivable, primarily driven by improved cash collections within the Fluid Technology business segment, was largely offset by reduced sources of cash of \$75.9 from accounts payable and accrued expenses and \$41.4 from inventories. Each of the business segments contributed to the accounts payable and accrued expenses impact, led by lower volumes and timing of payments, while the change in inventories was primarily attributable to the Defense Electronics & Services business segment due to the ramp up of CREW units, coupled with delayed international shipments. Additionally, EDO businesses were a significant contribution underlying the overall operating cash flow performance.

Cash provided by operating activities in 2007 increased \$17.4 from the prior year. This increase is due to a \$133.3 increase in income from continuing operations, combined with a \$213.2 improvement in cash from inventories across all three business segments. These increases in cash were partially offset by a \$175.5 increased use of cash for accounts receivable mainly due to the Fluid Technology business segment, reflecting higher volumes overall, including increased sales in Europe, which have longer payment terms, and the Defense Electronics & Services business segment primarily due to higher overall volumes, and the increase in EDO receivables since the acquisition date. Also, accounts payable and accrued expenses were a reduced source of cash totaling \$109.2, primarily due to contract reserve adjustments as well as a payment of \$30.0 towards \$50.0 in fines, forfeitures and penalties we agreed to in

conjunction with our settlement with the U.S. Government relating to an Night Vision Division compliance matter. See Note 19, "Commitments and Contingencies," in the Notes to Consolidated Financial Statements for further discussion of the Night Vision matter. Additionally, accrued and deferred taxes mitigated the increase in cash by \$64.4, primarily related to increased tax payments of \$116.3, partially offset by increased accrued and deferred tax liabilities.

Investing Activities

Additions to Plant, Property and Equipment:

Capital expenditures during 2008 were \$248.7, an increase of \$9.4 as compared to 2007. The increase is driven by higher spending of \$30.3 in the Defense Electronics & Services business segment primarily due to the acquisition of EDO at the end of 2007, an \$18.5 increase in the Motion & Flow Control business segment as a result of the purchase of a manufacturing facility in Mexico, combined with timing of investments as compared to last year. These increases were offset by net reductions of \$39.4 largely reflecting the absence of a prior year cash payment of \$44.8 related to the renewal of the sale leaseback arrangement for ITT's corporate aircraft whose term expired in December 2007 (see Note 20, "Guarantees, Indemnities and Warranties," in the Notes to Consolidated Financial Statements for further discussion). This was partially offset by payments related to the leasehold improvements for ITT's new headquarters that consolidates its corporate headquarters and the headquarters operations of its Fluid Technology and Motion & Flow Control business segments.

Capital expenditures during 2007 were \$239.3, an increase of \$62.2 from 2006. The Fluid Technology business segment increased its capital expenditures by \$21.4, largely related to incremental investments in facilities in Asia and Eastern Europe. Also reflected in 2007 capital expenditures was a cash payment of \$44.8 related to the renewal of the sale leaseback arrangement for ITT's corporate aircraft whose term expired in December 2007 (see Note 20, "Guarantees, Indemnities and Warranties," in the Notes to Consolidated Financial Statements for further discussion).

Acquisitions:

2008 Acquisitions

During 2008, we spent \$226.5 related to additional costs for 2007 acquisitions including, the EDO acquisition within the Defense Electronics & Services business segment, largely for repayment of debt acquired. We also spent \$49.2 on acquisitions of several other smaller companies, including two companies in Motion & Flow Control and two companies in Fluid Technology, as well as other acquisition-related costs.

2007 Acquisitions

During 2007, we spent \$2,009.2 for the acquisition of six companies. The acquisitions of EDO for \$1,598.7 within our Defense Electronics & Services business segment and of IMC for \$390.5 within our Motion & Flow Control business segment comprised most of the total spending. Of the other acquisitions, one was in the Defense Electronics & Services business segment and three were in the Fluid Technology business segment.

2006 Acquisitions

During 2006, we spent \$89.5, primarily for the acquisition of three entities, one within the Fluid Technology business segment, one in the Defense Electronics & Services business segment and one in the Motion & Flow Control business segment.

Proceeds from Sale of Assets and Businesses:

During 2008, we completed the sale of the remaining component of the Switches businesses, for net proceeds of \$5.1. In 2007, we had sold the substantial part of our Switches businesses for net proceeds of \$223.2, with the buyer to acquire the remainder once asset transfer issues were resolved.

Additionally, as part of ITT's renewal of its corporate aircraft sale leaseback, in 2007 we received a cash payment of \$50.2 for the sale of the aircraft to the lessor (see Note 20, "Guarantees, Indemnities and Warranties," in the Notes to Consolidated Financial Statements for further discussion).

In the first quarter of 2006, we completed the sale of Fluid Handling Systems and Richter for net proceeds of \$212.5.

Financing Activities

Short-term debt:

During 2008, our use of cash related to short-term debt increased \$3,540.9 over the prior year, reflecting net payments of \$1,229.0 in 2008 primarily related to the financing of the EDO acquisition as compared to net short-term borrowings of \$2,311.9 in 2007.

During 2007, our net short-term borrowings provided a \$2,467.5 increased source of cash as compared to the prior year largely due to debt used to finance the EDO acquisition.

Share Repurchases:

In 2008, we spent \$75.0, including commission fees, on the repurchase of common stock. As of December 31, 2008, we had repurchased 7.1 shares for \$430.8, including commission fees, under our \$1 billion share repurchase program.

In 2007, we spent \$299.1, including commission fees, on the repurchase of common stock. Of this amount, \$48.6 relates to 0.9 shares which were acquired at the end of 2006 and settled in January 2007. The remaining \$250.5 relates to 4.1 shares repurchased in 2007.

In December 2006, we purchased 1.9 shares for \$105.3, including commission fees. Of this activity, 0.9 shares were acquired at the end of 2006 and settled in January 2007 for \$48.6. This activity was part of a \$1 billion share repurchase program announced during the fourth quarter of 2006, which replaces our previous practice of covering shares granted or exercised in the context of ITT's performance incentive plans. Additionally, in 2006, we repurchased 2.8 shares for \$153.4 to offset the dilutive effect of exercised stock options and restricted stock issuances.

Dividends:

In 2008, we made \$120.9 of dividend payments to shareholders, a 25% increase over 2007.

In 2007, we made \$96.6 of dividend payments to shareholders, a 25% increase over 2006.

Discontinued Operations – Operating Activities

During 2008, cash used in operating activities of discontinued operations declined \$7.1 from the prior year primarily due to a decrease in cash used by our Switches businesses as a result of the disposition of substantially all of the businesses during third quarter of 2007.

During 2007, cash from operating activities of discontinued operations declined \$96.4 due to a use of cash of \$16.2 in the current year as compared to an \$80.2 source in the prior year. The primary driver of the decrease in cash flow was the absence of operating cash flows from our Switches businesses (sold in the third quarter of 2007) and our FHS and Richter businesses (sold in the first quarter of 2006).

Liquidity and Capital Resources

Our principal source of liquidity is operating cash flows, and we have demonstrated the ability to meet our additional funding requirements through the issuance of commercial paper. Our funding needs are monitored and strategies are executed to meet overall cash requirements, including the management of our capital structure on a short and long-term basis. Significant factors that affect our overall management of liquidity include the adequacy of commercial paper and bank lines of credit, and the ability to attract long-term capital at satisfactory terms. We assess these factors along with current market conditions on a continuous basis, and as a result may alter the mix of our short- and long-term financing, when advantageous to do so.

We manage our worldwide cash requirements considering available funds among the many subsidiaries through which we conduct business and the cost effectiveness with which those funds can be accessed. We have and will continue to transfer cash from those subsidiaries to U.S. and to other international subsidiaries when it is cost effective to do so.

We believe that available cash, committed credit facilities and access to the public debt markets provide adequate short-term and long-term liquidity.

Recent declines in the worldwide debt and equity markets have had an adverse impact on market participants including, among other things, volatility in security prices, diminished liquidity, and limited access to funding. We have assessed the implications of these factors on our current business and determined that there has not been a significant impact to our financial position, results of operations, or liquidity during 2008. If our access to the commercial paper market is adversely affected, we believe that alternative sources of liquidity, including available cash and existing committed credit facilities, would be sufficient to meet our short-term funding requirements.

Current debt ratios have positioned us to grow our business with investments for organic growth and through strategic acquisitions, while providing the ability to return value to shareholders through increased dividends and share repurchases.

DECEMBER 31,	2008		2007	
Cash and cash equivalents	\$	964.9	\$	1,840.0
Short-term debt and current maturities of long-term debt	\$	1,679.0	\$	3,083.0
Long-term debt		467.9		483.0
Total debt		2,146.9		3,566.0
Total shareholders' equity		3,059.9		3,944.8
Total capitalization (debt plus equity)	\$	5,206.8	\$	7,510.8
Debt to total capitalization		41.2%		47.5%
Net debt (debt less cash and cash equivalents)		1,182.0		1,726.0
Net capitalization (debt plus equity less cash and cash equivalents)		4,241.9		5,670.8
Net debt to net capitalization		27.9%		30.4%

Short-term debt, including current maturities of long-term debt, was \$1,679.0 and \$3,083.0 at December 31, 2008 and 2007, respectively. Net debt at December 31, 2008 was \$1,182.0 compared to \$1,726.0 at December 31, 2007. This decrease primarily reflects the pay down of debt during 2008, subsequent to our funding for the acquisition of EDO.

We expect that cash flows from operations and our access to the commercial paper market will be sufficient to meet our short-term funding requirements. We anticipate that cash flows from operations will be utilized to further decrease our net debt balance during 2009.

Credit Facilities and Commercial Paper Program

In November 2005, ITT entered into a five-year revolving credit agreement (the "November 2005 Credit Facility"), in the

aggregate principal amount of \$1.25 billion. Effective November 8, 2007, ITT exercised the option to increase the principal amount under the revolving credit agreement to \$1.75 billion. In March 2008, ITT entered into a new 364-day revolving credit agreement (the "March 2008 Credit Facility"), providing an additional \$1.0 billion principal amount of available borrowings. As a result, the maximum amount of available borrowings under both facilities is now \$2.75 billion.

The provisions of this agreement require that we maintain a minimum interest coverage ratio. At December 31, 2008, we were in compliance with our financial covenants.

Prior to December 2007, borrowing through commercial paper and under the revolving credit agreements could not exceed \$1.25 billion in the aggregate outstanding. In December 2007 and March 2008, the ITT Board of Directors approved commercial paper borrowings to increase up to \$1.75 billion and \$2.75 billion, respectively. At December 31, 2008, commercial paper borrowings were \$1,618.7.

The revolving credit agreements are intended to provide additional liquidity as a source of funding for the commercial paper program, if needed. Our policy is to maintain unused committed bank lines of credit in an amount greater than outstanding commercial paper balances.

	CREDIT FACILITY AMOUNT	COMMERCIAL PAPER OUTSTANDING	AMOUNT IN EXCESS OF COMMERCIAL PAPER BALANCE
November 2005 Credit Facility	\$ 1,750.0	\$ 1,618.7	131.3
March 2008 Credit Facility	1,000.0	—	1,000.0
	\$ 2,750.0	\$ 1,618.7	1,131.3

The March 2008 Credit Facility will expire during the first quarter of 2009. We believe that funds available to us under the November 2005 Credit Facility are more than sufficient to cover the level of expected commercial paper borrowings in 2009, and to satisfy any remaining cash requirements.

Contractual Obligations

ITT's commitment to make future payments under long-term contractual obligations was as follows, as of December 31, 2008:

CONTRACTUAL OBLIGATIONS	TOTAL	PAYMENTS DUE BY PERIOD				
		LESS THAN 1 YEAR	1-3 YEARS	3-5 YEARS	MORE THAN 5 YEARS	ALL OTHER
Long-term debt(1)	\$ 434.9	\$ 13.1	\$ 90.1	\$ 23.0	\$ 308.7	\$ —
Interest payments(2)	349.4	28.1	52.1	42.8	226.4	—
Operating leases(3)	721.2	126.4	196.8	149.4	248.6	—
Purchase obligations(4)(5)	695.7	451.8	228.8	15.1	—	—
FIN 48 liability(6)	144.9	—	—	—	—	144.9
Other long-term obligations reflected on balance sheet(7)	187.4	39.2	48.1	25.1	75.0	—
Total	\$ 2,533.5	\$ 658.6	\$ 615.9	\$ 255.4	\$ 858.7	\$ 144.9

- (1) See Note 14, "Debt," in the Notes to Consolidated Financial Statements, for discussion of the use and availability of debt and revolving credit agreements. Amounts represent total long-term debt, including current maturities and unamortized discount and exclude deferred gain on interest rate swaps.
- (2) Amounts represent estimate of future interest payments on long-term debt outstanding as of December 31, 2008 utilizing year end interest rates.
- (3) Refer to Note 13, "Leases and Rentals," in the Notes to Consolidated Financial Statements, for further discussion of lease and rental agreements.
- (4) The unconditional purchase commitments are principally take or pay obligations related to the purchase of certain raw materials and subcontract work.
- (5) Purchase obligations include a three-year obligation in the amount of \$9.2 that would require a termination penalty based on the number of remaining months. As of December 31, 2008, this fee would have been \$2.3.
- (6) As of December 31, 2008, our liability in connection with Financial Accounting Standards Board ("FASB") Interpretation No. 48, "Accounting for Uncertainty in Income Taxes – an Interpretation of FASB Statement No. 109," ("FIN 48") was \$144.9. ITT was unable to reasonably estimate the timing of FIN 48 liability payments in individual years beyond 12 months due to uncertainties in the timing of the effective settlement of tax positions. (See the section entitled "Critical Accounting Estimates – Income Taxes").
- (7) Other long-term obligations include estimated environmental payments. We estimate, based on historical experience, that we will spend between \$8.0 and \$12.0 per year on environmental investigation and remediation. We are contractually required to spend a portion of these monies based on existing agreements with various governmental agencies and other entities. At December 31, 2008, our best estimate for environmental liabilities is \$135.0. In addition, other long-term obligations include letters of credit, and payments in connection with our settlement of compliance issues in the Defense Electronics & Services business segment.

Off-Balance Sheet Arrangements

Guarantees & Indemnities

Since ITT's incorporation in 1920, we have acquired and disposed of numerous entities. The related acquisition and disposition agreements contain various representation and warranty clauses and may provide indemnities for a misrepresentation or breach of the representations and warranties by either party. The indemnities address a variety of subjects; the term and monetary amounts of each such indemnity are defined in the specific agreements and may be affected by various conditions and external factors. Many of the indemnities have expired either by operation of law or as a result of the terms of the agreement. We do not have a liability recorded for the historic indemnifications and are not aware of any claims or other information that would give rise to material payments under such indemnities.

In December of 2007, we entered into a sale leaseback type agreement for our corporate aircraft, with the aircraft leased back under a five-year operating lease. We have provided, under the lease, a residual value guarantee to the counterparty in the amount of \$50.2, which is the maximum amount of undiscounted future payments. We would have to make payments under the residual value guarantee only if the fair value of the aircraft was less than the residual value guarantee upon termination of the agreement. At December 31, 2008, the projected fair value of the aircraft at the end of the lease is estimated to be \$2.4 less than the residual value guarantee. Since this estimated loss does not exceed the \$5.4 gain we realized from the sale of the aircraft, but deferred as a loss contingency for the residual value guarantee, we have not recorded any additional accrual in our financial statements.

ITT has a number of individually immaterial guarantees outstanding at December 31, 2008, that may be affected by various conditions and external forces, some of which could require that payments be made under such guarantees. We do not believe these payments will have any material adverse impact on the financial position, results of operations or cash flow on a consolidated basis in the foreseeable future.

Critical Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Significant accounting policies used in the preparation of the Consolidated Financial Statements are discussed in Note 1, "Summary of Significant Accounting Policies," in the Notes to Consolidated Financial Statements. Accounting estimates and assumptions discussed in this section are those that we consider most critical to an understanding of our financial statements because they inherently involve significant judgments and uncertainties. Actual results in these areas could differ from management's estimates.

Contingent Liabilities

From time to time, we are involved in legal proceedings that are incidental to the operation of our businesses. Some of these proceedings allege damages against the Company relating to environmental liabilities, product liabilities (including asbestos), employment and pension matters, government contract issues and commercial or contractual disputes, sometimes related to acquisitions or divestitures. Accruals for anticipated settlements have been established where the outcome of the matter is probable and can be reasonably estimated. In addition, accruals for legal fees for various matters have been established where the fees are probable of payment and can be reasonably estimated. Based on present information, including our assessment of the merits of claims, as well as our current reserves and insurance coverage, we do not expect that such legal proceedings will have a material adverse impact on our financial position, results of operations or cash flows, on a consolidated basis.

However, because of uncertainties related to these matters, we can only record accruals based on currently available information. As additional information becomes available, we reassess the potential liability related to our pending claims and litigation and may revise our estimates. Such revisions in the estimates of the potential liabilities could have a material impact on our consolidated financial position, results of operations or cash flows. For a discussion of these contingencies, including management's judgment applied in the recognition and measurement of specific liabilities, refer to Note 19, "Commitments and Contingencies," in the Notes to Consolidated Financial Statements.

Employee Benefit Plans

ITT sponsors numerous employee pension and welfare benefit plans. The determination of projected benefit obligations and the recognition of expenses related to pension and other postretirement obligations are dependent on assumptions used in calculating these amounts. These assumptions include: discount rates, expected rates of return on plan assets, rate of future compensation increases, mortality, termination, health care inflation trend rates (some of which are disclosed in Note 16, "Employee Benefit Plans," in the Notes to Consolidated Financial Statements) and other factors.

Key Assumptions

A summary of the significant assumptions used for the pension benefit plans are as follows:

WEIGHTED AVERAGE ASSUMPTIONS	2008	2007
Expected rate of return on plan assets used to determine net periodic benefit cost	8.87%	8.87%
Discount rate used to determine net periodic benefit cost	6.19%	5.87%
Discount rate used to determine benefit obligation at December 31	6.24%	6.19%
Rate of future compensation increase used to determine benefit obligation at December 31	3.97%	4.45%

Management develops each assumption using relevant company experience in conjunction with market-related data for each individual country in which such plans exist. All assumptions are reviewed periodically with third party actuarial consultants and adjusted as necessary.

We determine our expected return on plan assets assumption by evaluating both historical returns and estimates of future returns. Specifically, we analyze the plan's actual historical annual return on assets over the past 10, 15, 20 and 25 years; make estimates of future returns using a Capital Asset Pricing Model; and evaluate historical broad market returns over the past 75 years based on our strategic asset allocation, which is detailed in Note 16, "Employee Benefit Plans," in the Notes to Consolidated Financial Statements.

Based on the approach described above, we estimate the long-term annual rate of return on assets for domestic pension plans at 9.0%. For reference, our actual geometric average annual return on plan assets for domestic pension plans stood at 9.9%, 11.8%, 12.0% and 12.4%, for the past 10, 15, 20, and 25 year periods, respectively.

The chart below shows actual versus the expected long-term returns for our domestic pension plans that are utilized in the calculation of the net periodic benefit cost. See Note 16, "Employee Benefit Plans," in the Notes to Consolidated Financial Statements for more information.

	2008	2007	2006	2005	2004
Expected rate of return on plan assets	9.0%	9.0%	9.0%	9.0%	9.0%
Actual rate of return on plan assets	(31.2)%	12.7%	13.8%	13.2%	15.2%

Our weighted average expected return on plan assets for all pension plans, including foreign affiliate plans, at December 31, 2008 is 8.9%.

We utilize the assistance of our plan actuaries in determining the discount rate assumption. As a service to their clients, the plan actuaries have developed and published an interest rate yield curve comprising AAA/AA bonds with maturities between zero and thirty years. The plan actuaries then discount the annual benefit cash flows of ITT's pension plan using this yield curve and develop a single-point discount rate matching the plan's characteristics.

Our weighted average discount rate for all pension plans, including foreign affiliate plans, at December 31, 2008, is 6.24%. Also, at December 31, 2008, we raised the discount rate on our postretirement welfare plans to 6.25% from 6.0%.

At December 31, 2008, we lowered our expected rate of future compensation increases for domestic plan participants to 4.0% from 4.5%, based on recent historical experience and expectations for future economic conditions.

Pension Expense

A 25 basis point change in the expected rate of return on plan assets, discount rate, or rate of future compensation increases, would have the following effect on 2009 pension expense:

	INCREASE/(DECREASE) IN PENSION EXPENSE		25 BASIS POINT INCREASE	25 BASIS POINT DECREASE
Long-term rate of return on assets used to determine net periodic benefit cost	\$	(10.1)	\$	10.1
Discount rate used to determine net periodic benefit cost		(27.0)*		13.3
Rate of future compensation increases used to determine net periodic pension cost		4.6		(4.2)

* This scenario eliminates any amortization of deferred losses, since the amount subject to amortization must exceed 10 percent of the greater of the projected benefit obligation or the market-related value of plan assets.

Funded Status

Funded status is derived by subtracting the respective year-end values of the projected benefit obligations from the fair value of plan assets. ITT's U.S. Salaried Pension Plan represents approximately 78% of the total pension obligation, and therefore the funded status of the U.S. Salaried Pension Plan has a considerable impact on the overall funded status of our pension plans.

We estimate that every 25 basis point change in the discount rate impacts the funded status of the U.S. Salaried

Pension Plan by approximately \$110. Similarly, every five percentage point change in the actual 2009 rate of return on assets impacts the same plan by approximately \$150.

Fair Value of Plan Assets

Our pension and welfare benefit plans' assets are comprised of a broad range of investments including domestic and foreign securities, private equity and fixed income investments, investments in hedge funds, commodities and cash and cash equivalents. When available, we have valued our investments based on observable market inputs.

Observable inputs are inputs that market participants would use in pricing the investment based on market data obtained from independent sources. These include inputs with quoted prices in active markets, and inputs other than quoted prices in active markets that are either directly or indirectly observable.

Unobservable inputs are inputs that reflect the Company's assumptions about the estimates market participants would use in pricing the investment, based on the best information available in the circumstances. To the extent that valuation is based on inputs that are less observable or unobservable in the market, the determination of the fair value requires more judgment.

A substantial portion of our pension and welfare benefit plan assets portfolio is comprised of hedge fund and private equity investments. The private equity and a portion of the hedge fund investments do not have directly observable inputs, and as such, require significant judgment to determine fair value.

Plan assets are based on year-end fair market values. Absent the timely availability of audited year-end financial statements for these investments, from which we derive our allocable portion of each investment's fair value, management has incorporated its own judgment and set of assumptions to value the investments as of year-end.

See Note 16, "Employee Benefit Plans" in the Notes to Consolidated Financial Statements for further information.

Revenue Recognition

ITT recognizes revenue as services are rendered and when title transfers for products, subject to any special terms and conditions of specific contracts. For the majority of our product sales, title transfers when products are shipped. Under certain circumstances, title passes when products are delivered. Further, some sales are recognized when the customer picks up the product. In the Defense Electronics & Services business segment, certain contracts require the delivery, installation, testing, certification and customer acceptance before revenue can be recorded.

The Defense Electronics & Services business segment and certain businesses in our Fluid Technology business segment generally recognize sales and anticipated profits under long-term fixed-price contracts based on units of delivery, completion of scheduled performance milestones, or percentage of costs incurred to total costs. Estimated contract profits are recorded into earnings in proportion to recorded sales. During the performance of such contracts, estimated final contract prices and costs are periodically reviewed and revisions are made as required. The effect of these revisions to estimates is included in earnings in the period in which the revisions are made. Sales under cost-reimbursement contracts are recorded as costs are incurred and include estimated earned fees or profits calculated on the basis of the relationship between costs incurred and total estimated costs. For time-and-material contracts, revenue is recognized to the extent of billable rates times hours incurred plus material and other reimbursable costs incurred. Anticipated losses on contracts are recorded when first identified by ITT. Revenue arising from the claims process is not recognized either as income or as an offset against a potential loss until it can be reliably estimated and realization is probable.

Income Taxes

Deferred tax assets and liabilities are determined based on temporary differences between the financial reporting and tax bases of assets and liabilities, applying enacted tax rates that we expect to be in effect for the year in which we expect the differences will reverse. Based on the evaluation of available evidence, we recognize future tax benefits, such as net operating loss carryforwards, to the extent that we believe it is more likely than not we will realize these benefits. We periodically assess the likelihood that we will be able to recover our deferred tax assets and reflect any changes in our estimates in the valuation allowance, with a corresponding adjustment to earnings or other comprehensive income (loss), as appropriate.

In assessing the need for a valuation allowance, we look to the future reversal of existing taxable temporary differences, taxable income in carryback years, the feasibility of tax planning strategies and estimated future taxable income. The valuation allowance can be affected by changes to tax laws, changes to statutory tax rates and changes to future taxable income estimates.

The calculation of our tax liabilities involves dealing with uncertainties in the application of complex tax regulations in a multitude of jurisdictions across our global operations. We recognize potential liabilities and record tax liabilities for anticipated tax audit issues in the U.S. and other tax jurisdictions based on our estimate of whether, and to the extent to which, additional taxes will be due. Furthermore, in accordance with FIN 48, we recognize the tax benefit from an uncertain tax

position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement.

We adjust these reserves in light of changing facts and circumstances; however, due to the complexity of some of these uncertainties, the ultimate resolution may result in a payment that is materially different from our current estimate of the tax liabilities. If our estimate of tax liabilities proves to be less than the ultimate assessment, an additional charge to expense would result. If a payment of these amounts ultimately proves to be less than the recorded amounts, the reversal of the liabilities would result in tax benefits being recognized in the period when we determine the liabilities are no longer necessary.

Goodwill and Other Intangible Assets

We account for goodwill and indefinite-lived intangibles in accordance with Statement of Financial Accounting Standards ("SFAS") No. 142, "Goodwill and Other Intangible Assets" ("SFAS 142"). SFAS 142 states that goodwill and indefinite-lived intangible assets are not amortized, but are instead reviewed for impairment annually (or more frequently if impairment indicators arise). We conduct our annual impairment testing on October 1 to determine if we will be able to recover all or a portion of the carrying value of goodwill and indefinite-lived intangibles.

The application of the impairment test requires judgment, including the identification of reporting units, assignments of assets and liabilities to reporting units and the determination of the fair value of each reporting unit. Further, the impairment test involves the use of accounting estimates and assumptions related to future operating results. Consistent with the requirements of SFAS 142, the fair values of our reporting units generally are based on discounted cash flow projections that are believed to be reasonable under current and forecasted circumstances, the results of which form the basis for making judgments about carrying values of the reported net assets of our reporting units.

We conducted our annual goodwill impairment test as of October 1, 2008, and determined that there was no impairment. Subsequently, we updated our forecast assumptions to reflect declining economic conditions. As a result, we reassessed goodwill for impairment for those reporting units significantly affected by changes to our initial projections. Despite declines in the estimated fair value for certain reporting units since our annual impairment test, we concluded that there were no impairments as of the interim test dates.

We will continue to closely monitor the 2009 results and projections for these units and the economic conditions of their product end-markets. Any significant change in market conditions and estimates or judgments could give rise to impairment in the period that the change becomes known.

Other Intangible Assets

Prior to performing the goodwill impairment testing process for a reporting unit under SFAS 142, if there is reason to believe that other non-goodwill related intangible assets may be impaired, these other intangible assets must first be tested for impairment under SFAS 142 or SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." ("SFAS 144"). Assets governed by SFAS 144 require a recoverability test for impairment whereby the gross undiscounted cash flows are determined specific to the asset. For non-goodwill related indefinite-lived assets, a fair value determination is made. If the carrying value of the asset exceeds the fair value, then impairment occurs. The carrying values of these assets are impaired as necessary to provide the appropriate carrying value for the goodwill impairment calculation.

These impairment tests also involve the use of accounting estimates and assumptions believed to be reasonable, the results of which form the basis for our conclusions. Significant changes to these estimates and assumptions could adversely impact our conclusion to these impairment tests.

New Accounting Pronouncements

See Note 2, "New Accounting Pronouncements," in the Notes to the Consolidated Financial Statements for a complete discussion of recent accounting pronouncements. There were no new pronouncements which we expect to have a material impact on our financial condition and results of operations in future periods.

Forward-Looking Statements

Certain statements contained in this document, including within this Management's Discussion and Analysis of Financial Condition and Results of Operations (most particularly, material presented under "Executive Summary," "2009 Outlook," "Known Trends and Uncertainties," "Restructuring and Asset Impairment Charges," "Employee Benefit Plans," "Liquidity and Capital Resources," and "Critical Accounting Estimates," that are not historical facts, constitute "Forward-Looking Statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements, in general, predict, forecast, indicate or imply future results, performance or achievements and generally use words so indicative. Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results or performance of ITT and its businesses to be materially

different from that expressed or implied by such forward-looking statements. Such factors may be described or referred to from time to time in filings made by ITT with the Securities and Exchange Commission. Included in those factors are the following: general economic and business conditions; foreign currency exchange rates; political, social and economic conditions and local regulations in the countries in which ITT conducts its businesses; government regulations and compliance therewith; demographic changes; sales and revenues mix; pricing levels; changes in sales and revenues to, or the identity of, significant customers; changes in technology; industry capacity and production rates; ability of outside third parties to comply with their commitments; competition; capacity constraints; availability of raw materials and adequate labor; availability of appropriate professional expertise; projected savings from restructuring actions; potential future employee benefit plan contributions; availability of liquidity sufficient to meet ITT's needs; the ability to adapt to changes resulting from acquisitions and divestitures and to affect cost reduction programs; and various other factors referenced in this Management's Discussion and Analysis and under the caption "Risk Factors." In some areas, the availability of energy sources may affect our production processes or customer demand for our products or services. In addition to these factors, our business segments may be affected by the more specific factors referred to below and as included in Item 1A.

The Defense Electronics & Services business segment will be affected by factors including the level of defense funding by domestic and foreign governments; changes in the portion of the U.S. Defense budget devoted to products and services of the types of products we provide; our ability to receive contract awards; government investigations; government contracts subject to security and facility clearances; our ability to obtain and maintain export licenses; our ability to sell to international markets and our ability to develop and market products and services for customers outside of traditional markets.

The Fluid Technology business segment will be affected by factors including broad economic conditions in markets served; governmental funding levels; raw material prices; international demand for fluid management products; the ability to successfully expand into new geographic markets; weather conditions; and continued demand for replacement parts and servicing.

The Motion & Flow Control business segment will be affected by the cyclical nature of the transportation industry; economic conditions in its major markets; weather conditions; production levels of major auto producers; and demand for replacement parts.

ITT assumes no obligation to update forward-looking statements to reflect actual results or changes in or additions to the factors affecting such forward-looking statements.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

(In millions, unless otherwise stated)

MARKET RISK EXPOSURES

At December 31, 2008, our short-term and long-term debt obligations totaled \$2.1 billion. In addition, our cash and cash equivalents balances at December 31, 2008 was \$964.9. Based on these positions, and our overall exposure to interest rates, a change of 61 basis points (equivalent to 10% of ITT's weighted average short-term interest rates at December 31, 2008) on our cash and marketable securities and on our floating rate debt obligations would have a \$4.4 effect on our pretax earnings for the year ended December 31, 2008.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

See Index to Consolidated Financial Statements and Schedule herein.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Attached as exhibits to the Form 10-K are certifications of the Company's Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), which are required in accordance with Rule 13a-14 of the Securities Exchange Act of 1934 ("Act"), as amended.

(a) Evaluation of Disclosure Controls and Procedures

The Company, with the participation of various levels of management, including the CEO and CFO, conducted an evaluation of effectiveness of the design and operation of our disclosure controls and procedures (as defined in the Rules 13a-15(e) and 15d-15(e) of the Act) as of December 31, 2008.

On the basis of this review, management, including the CEO and the CFO, concluded that our disclosure controls and procedures are designed, and are effective, to give reasonable assurance that the information required to be disclosed in our reports filed under the Act is assembled, recorded, processed, summarized and reported within the time periods specified in the SEC's forms and reports, and to ensure that information required to be disclosed in the reports submitted under the Act is accumulated and communicated to our management,

including our CEO and CFO, in a manner that allows timely decisions regarding required disclosure.

In 2002, the Company established a Disclosure Committee with responsibility for considering and evaluating the materiality of information and reviewing disclosure obligations on a timely basis. The Disclosure Committee meets regularly, reports to the General Counsel and the CFO and assists the CEO and the CFO in designing, establishing, reviewing and evaluating the Company's disclosure controls and procedures.

(b) Management's Report on Internal Control Over Financial Reporting

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Act. The Company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America.

Internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, completely, accurately and fairly reflect the transactions and dispositions of the Company's assets; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of the financial statements in accordance with accounting principles generally accepted in the United States of America; (iii) provide reasonable assurance that Company receipts and expenditures are made only in accordance with the authorization of management and the directors of the Company, and (iv) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of assets that could have a material effect on the consolidated financial statements. Internal control over financial reporting includes the controls themselves, monitoring and internal auditing practices and actions taken to correct deficiencies as identified.

Management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2008. Management based this assessment on criteria for effective internal control over financial reporting described in "Internal Control – Integrated Framework" issued by the Committee of Sponsoring Organizations ("COSO") of the Treadway Commission. Management's assessment included an evaluation of the design of the Company's internal control over financial reporting and testing of the operational effectiveness of its internal control over financial reporting. Management reviewed the results of its assessment with the Audit Committee of our Board of Directors.

Based on this assessment, management determined that, as of December 31, 2008, the Company maintained effective internal control over financial reporting.

The Company's management, including the CEO and the CFO, does not expect that our internal controls over financial reporting, because of inherent limitations, will prevent or detect all errors and all fraud. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may be inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management's assessment, included herein, should be read in conjunction with the certifications and the report issued by Deloitte & Touche LLP ("Deloitte & Touche"), an independent registered public accounting firm, as stated in their report, which appears subsequent to Item 9A(d) in this Annual Report on Form 10-K.

(c) Remediation of Prior Year Material Weakness

A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Company's annual or interim financial statements will not be prevented or detected on a timely basis.

As discussed in "Item 9A Controls and Procedures – Management Report on Internal Control Over Financial Reporting" in our Annual Report on Form 10-K for the year ended December 31, 2007, a material weakness existed in the Company's internal control over financial reporting related to income tax accounting. Specifically, the Company did not maintain adequate processes and a sufficient number of technically qualified personnel during the year to facilitate the timely identification of all issues associated with the Company's income tax closing process.

During 2008, the Company implemented the following measures to remediate the material weakness related to financial reporting for income taxes:

- Conducted a comprehensive evaluation of the income tax department organizational structure and processes.
- Expanded technical resources and management in the income tax accounting function, including the hiring of a Chief Tax Officer and Director of Tax Operations.
- Enhanced review procedures for ongoing as well as non-routine complex transactions in the income tax accounting function.
- Performed a detailed review of income tax payable accounts to substantiate existing balances.
- Performed a comprehensive reconciliation of the differences between the income tax basis and financial reporting basis of assets and liabilities to effectively reconcile and substantiate deferred tax balances.

▪ Assessed the existing internal control structure and implemented new controls, including enhanced reconciliations and analyses of income tax provisions and formal procedures to reconcile payable and deferred tax balances.

The Company has tested the effectiveness of the newly implemented controls and found them to be operating effectively for a sufficient period of time to reduce to a remote likelihood the possibility of material misstatement. As a result, management has concluded that, as of December 31, 2008, the material weakness described above has been remediated.

(d) Changes in Internal Control over Financial Reporting

Other than the remediation of the income tax accounting material weakness described in Item 9A(c) above, there were no changes during the fourth quarter that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of
ITT Corporation
White Plains, New York

We have audited the internal control over financial reporting of ITT Corporation and subsidiaries (the "Company") as of December 31, 2008, based on criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2008, based on the criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) the consolidated financial statements as of and for the year ended December 31, 2008, of the Company and our report dated February 25, 2009 expressed an unqualified opinion on those financial statements.

/s/ DELOITTE & TOUCHE LLP
New York, New York

February 25, 2009

ITEM 9B. OTHER INFORMATION
None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information called for by Item 10 with respect to directors is incorporated herein by reference to the portions of the definitive proxy statement for the Company's 2009 annual meeting of shareholders to be filed pursuant to Regulation 14A of the Exchange Act set forth under the captions "Election of Directors," "Information About the Board of Directors" and "Report of the Audit Committee."

The information called for by Item 10 with respect to executive officers is set forth above in Part I under the caption "Executive Officers of the Registrant."

ITT has adopted corporate governance principles and charters for each of its standing committees. The principles address director qualification standards, election and selection of an independent presiding director as well as responsibilities, access to management and independent advisors, compensation, orientation and continuing education, management succession principles and board and committee self-evaluation. The corporate governance principles and charters are available on the company's website at www.itt.com/responsibility/governance/#principles-charters. A copy of the corporate governance principles and charters are also available to any shareholder who requests them from the Company's secretary.

ITT has also adopted a written code of ethics, the "Code of Corporate Conduct," which is applicable to all ITT directors, officers and employees, including the Company's Chief Executive Officer, Chief Financial Officer, and Chief Accounting Officer and other executive officers identified pursuant to this Item 10 (collectively, the "Selected Officers"). In accordance with the SEC's rules and regulations, a copy of the code was filed as an exhibit to the 2002 Form 10-K and has been posted on our website and a copy of the code is also available to any shareholder who requests it. ITT intends to disclose any changes in or waivers from its code of ethics applicable to any Selected Officer or director on its website at www.itt.com.

Pursuant to New York Stock Exchange ("NYSE") Listing Company Manual Section 303A.12(a), the Company submitted a Section 12(a) CEO Certification to the NYSE in 2008. The Company also filed with the SEC, as exhibits to the Company's current Annual Report on Form 10-K, the certifications required under Section 302 of the Sarbanes-Oxley Act for its Chief Executive Officer and Chief Financial Officer.

ITEM 11. EXECUTIVE COMPENSATION

The information called for by Item 11 is incorporated herein by reference to the portions of the definitive proxy statement referred to in Item 10 set forth under the caption "Executive Compensation."

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information called for by Item 12 is incorporated herein by reference to the portions of the definitive proxy statement referred to in Item 10 set forth under the captions "Beneficial Ownership of ITT Corporation Common Stock" and "Equity Compensation Plan Information."

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE

The information called for by Item 13 is incorporated herein by reference portions to the definitive proxy statement referred to in Item 10.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The information called for by Item 14 is incorporated herein by reference to the portions of the definitive proxy statement referred to in Item 10 set forth under the caption "Independent Auditor Fees."

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULE

(a) Documents filed as a part of this report:

1. See Index to Consolidated Financial Statements appearing on page 45 for a list of the financial statements filed as a part of this report.
2. See Exhibit Index beginning on pages II-2 for a list of the exhibits filed or incorporated herein as a part of this report.

(b) Financial Statement Schedules are omitted because of the absence of the conditions under which they are required or because the required information is included in the Consolidated Financial Statements filed as part of this report.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of
ITT Corporation
White Plains, New York

We have audited the accompanying consolidated balance sheets of ITT Corporation and subsidiaries (the "Company") as of December 31, 2008 and 2007, and the related consolidated statements of income, comprehensive income, cash flows, and changes in shareholders' equity for each of the three years in the period ended December 31, 2008. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of ITT Corporation and subsidiaries as of December 31, 2008 and 2007, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2008, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 to the consolidated financial statements, the Company changed its method of accounting for uncertain income tax positions in 2007.

As discussed in Note 1 to the consolidated financial statements, the Company changed its method of accounting for defined pension and other postretirement plans in 2006.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2008, based on the criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 25, 2009 expressed an unqualified opinion on the Company's internal control over financial reporting.

/s/ DELOITTE & TOUCHE LLP
New York, New York

February 25, 2009

CONSOLIDATED INCOME STATEMENTS

(IN MILLIONS, EXCEPT PER SHARE AMOUNTS)

YEAR ENDED DECEMBER 31	2008	2007	2006
Product sales	\$ 9,181.2	\$ 7,057.5	\$ 6,198.1
Service revenues	2,513.6	1,945.8	1,609.8
Total sales and revenues	11,694.8	9,003.3	7,807.9
Costs of product sales	6,255.1	4,746.4	4,224.5
Costs of service revenues	2,184.3	1,688.6	1,393.9
Total costs of sales and revenues	8,439.4	6,435.0	5,618.4
Gross profit	3,255.4	2,568.3	2,189.5
Selling, general and administrative expenses	1,723.5	1,342.7	1,175.9
Research and development expenses	244.3	182.3	160.9
Restructuring and asset impairment charges, net	77.5	66.1	51.7
Operating income	1,210.1	977.2	801.0
Interest income	31.3	49.6	25.4
Interest expense	140.8	114.9	86.2
Miscellaneous expense, net	13.1	13.4	12.9
Income from continuing operations before income tax expense	1,087.5	898.5	727.3
Income tax expense	312.3	265.5	227.6
Income from continuing operations	775.2	633.0	499.7
Discontinued operations:			
Income from discontinued operations, including tax benefit of \$6.9, \$26.1, and \$1.0, respectively	19.5	109.1	81.4
Net income	\$ 794.7	\$ 742.1	\$ 581.1
Earnings Per Share:			
Income from continuing operations:			
Basic	\$ 4.29	\$ 3.51	\$ 2.71
Diluted	\$ 4.23	\$ 3.44	\$ 2.67
Discontinued operations:			
Basic	\$ 0.11	\$ 0.60	\$ 0.44
Diluted	\$ 0.10	\$ 0.59	\$ 0.43
Net income:			
Basic	\$ 4.40	\$ 4.11	\$ 3.15
Diluted	\$ 4.33	\$ 4.03	\$ 3.10
Average Common Shares – Basic	180.7	180.6	184.3
Average Common Shares – Diluted	183.4	184.0	187.4

The accompanying Notes to Consolidated Financial Statements are an integral part of the above statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME

(IN MILLIONS) YEAR ENDED DECEMBER 31, 2008	PRE-TAX (LOSS)	TAX BENEFIT	NET OF TAX AMOUNT
Net income			\$ 794.7
Other comprehensive loss:			
Net foreign currency translation adjustments (refer to table below)	\$ (221.2)	\$ –	(221.2)
Changes in pension and other benefit plans	(2,118.8)	781.1	(1,337.7)
Other	(0.1)	–	(0.1)
Other comprehensive loss	\$ (2,340.1)	\$ 781.1	(1,559.0)
Comprehensive loss			\$ (764.3)
Disclosure of 2008 foreign currency translation reclassification:			
Foreign currency translation adjustments			\$ (214.7)
Less: Reclassification adjustment for gains included in net income			(6.5)
Net foreign currency translation adjustments			\$ (221.2)
(IN MILLIONS) YEAR ENDED DECEMBER 31, 2007	PRE-TAX INCOME	TAX EXPENSE	NET OF TAX AMOUNT
Net income			\$ 742.1
Other comprehensive income:			
Net foreign currency translation adjustments (refer to table below)	\$ 276.1	\$ –	276.1
Changes in pension and other benefit plans	427.2	(126.3)	300.9
Other	1.5	(0.5)	1.0
Other comprehensive income	\$ 704.8	\$ (126.8)	578.0
Comprehensive income			\$ 1,320.1
Disclosure of 2007 foreign currency translation reclassification:			
Foreign currency translation adjustments			\$ 235.7
Add: Reclassification adjustment for losses included in net income			40.4
Net foreign currency translation adjustments			\$ 276.1
(IN MILLIONS) YEAR ENDED DECEMBER 31, 2006	PRE-TAX INCOME	TAX EXPENSE	NET OF TAX AMOUNT
Net income			\$ 581.1
Other comprehensive income:			
Net foreign currency translation adjustments (refer to table below)	\$ 161.2	\$ –	161.2
Minimum pension liability	88.9	(30.8)	58.1
Other	0.3	(0.1)	0.2
Other comprehensive income	\$ 250.4	\$ (30.9)	219.5
Comprehensive income			\$ 800.6
Disclosure of 2006 foreign currency translation reclassification:			
Foreign currency translation adjustments			\$ 177.7
Less: Reclassification adjustment for gains included in net income			(16.5)
Net foreign currency translation adjustments			\$ 161.2

The accompanying Notes to Consolidated Financial Statements are an integral part of the above statements.

CONSOLIDATED BALANCE SHEETS

(IN MILLIONS, EXCEPT PER SHARE AMOUNTS, UNLESS OTHERWISE STATED)

DECEMBER 31	2008	2007
Assets		
Current assets:		
Cash and cash equivalents	\$ 964.9	\$ 1,840.0
Receivables, net	1,961.1	1,935.0
Inventories, net	803.8	887.6
Deferred income taxes	203.4	105.9
Other current assets	131.0	161.3
Total current assets	4,064.2	4,929.8
Plant, property and equipment, net	993.9	980.3
Deferred income taxes	608.5	29.7
Goodwill	3,831.3	3,829.7
Other intangible assets, net	616.5	733.0
Other assets	365.8	1,050.2
Total non-current assets	6,416.0	6,622.9
Total assets	\$ 10,480.2	\$ 11,552.7
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	\$ 1,234.6	\$ 1,296.8
Accrued expenses	991.2	958.9
Accrued taxes	30.2	40.9
Short-term debt and current maturities of long-term debt	1,679.0	3,083.0
Pension and postretirement benefits	68.8	68.5
Deferred income taxes	26.7	8.2
Total current liabilities	4,030.5	5,456.3
Pension benefits	1,689.9	381.4
Postretirement benefits other than pensions	451.7	383.2
Long-term debt	467.9	483.0
Other liabilities	780.3	904.0
Total non-current liabilities	3,389.8	2,151.6
Total liabilities	7,420.3	7,607.9
Shareholders' Equity:		
Common stock: Authorized – 500 shares, \$1 par value per share, outstanding – 181.7 shares and 181.5 shares, respectively ⁽¹⁾	180.6	180.7
Retained earnings	4,203.0	3,528.8
Accumulated other comprehensive (loss) income:		
Pension and other benefits	(1,534.1)	(196.4)
Cumulative translation adjustments	209.8	431.0
Unrealized gain on investment securities	0.6	0.7
Total accumulated other comprehensive (loss) income	(1,323.7)	235.3
Total shareholders' equity	3,059.9	3,944.8
Total liabilities and shareholders' equity	\$ 10,480.2	\$ 11,552.7

(1) Shares outstanding include unvested restricted common stock of 1.1 and 0.8 at December 31, 2008 and 2007, respectively.

The accompanying Notes to Consolidated Financial Statements are an integral part of the above statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(IN MILLIONS)			
YEAR ENDED DECEMBER 31	2008	2007	2006
Operating Activities			
Net income	\$ 794.7	\$ 742.1	\$ 581.1
Less: Income from discontinued operations	19.5	109.1	81.4
Income from continuing operations	775.2	633.0	499.7
Adjustments to income from continuing operations:			
Depreciation and amortization	278.3	185.4	171.6
Stock-based compensation	30.8	34.6	22.9
Restructuring and asset impairment charges, net	77.5	66.1	51.7
Payments for restructuring	(54.1)	(51.5)	(43.4)
Change in receivables	(112.9)	(236.7)	(61.2)
Change in inventories	70.4	111.8	(101.4)
Change in accounts payable and accrued expenses	61.3	137.2	246.4
Change in accrued and deferred taxes	19.7	(34.1)	30.3
Change in other current and non-current assets	(21.9)	(106.0)	(74.0)
Change in other current and non-current liabilities	(0.8)	47.2	30.7
Other, net	(3.9)	11.1	7.4
Net Cash – operating activities	1,119.6	798.1	780.7
Investing Activities			
Additions to plant, property and equipment	(248.7)	(239.3)	(177.1)
Acquisitions, net of cash acquired	(275.7)	(2,009.2)	(69.5)
Proceeds from sale of assets and businesses	21.6	283.6	226.6
Other, net	(0.1)	6.8	(6.3)
Net Cash – investing activities	(502.9)	(1,958.1)	(46.3)
Financing Activities			
Short-term debt, net	(1,229.0)	2,311.9	(155.6)
Long-term debt repaid	(23.3)	(15.2)	(13.3)
Long-term debt issued	0.6	0.5	0.5
Repurchase of common stock	(75.0)	(299.0)	(210.0)
Proceeds from issuance of common stock	34.4	65.4	69.0
Dividends paid	(120.9)	(96.6)	(77.6)
Tax benefit from stock option exercises and restricted stock award lapses	6.7	15.0	16.7
Other, net	(0.9)	(0.9)	0.1
Net Cash – financing activities	(1,407.4)	1,981.1	(370.2)
Exchange Rate Effects on Cash and Cash Equivalents	(73.4)	103.0	50.6
Net Cash – Discontinued Operations:			
Operating Activities	(9.1)	(16.2)	80.2
Investing Activities	(1.9)	(4.0)	(9.3)
Financing Activities	—	(1.0)	0.4
Net change in cash and cash equivalents	(875.1)	902.9	486.1
Cash and cash equivalents – beginning of year	1,840.0	937.1	451.0
Cash and Cash Equivalents – End of Year	\$ 964.9	\$ 1,840.0	\$ 937.1
Supplemental Disclosures of Cash Flow Information			
Cash paid during the year for:			
Interest	\$ 135.5	\$ 96.0	\$ 80.4
Income taxes (net of refunds received)	\$ 281.6	\$ 313.6	\$ 197.3

The accompanying Notes to Consolidated Financial Statements are an integral part of the above statements.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(IN MILLIONS) YEAR ENDED DECEMBER 31	SHARES			DOLLARS		
	2008	2007	2006	2008	2007	2006
Common Stock						
Beginning balance	180.7	182.6	184.6	\$ 180.7	\$ 182.6	\$ 184.6
Stock incentive plans	1.1	2.2	2.6	1.1	2.2	2.6
Repurchases	(1.2)	(4.1)	(4.6)	(1.2)	(4.1)	(4.6)
Ending balance	180.6	180.7	182.6	\$ 180.6	\$ 180.7	\$ 182.6
Retained Earnings						
Beginning balance				\$ 3,528.8	\$ 3,029.5	\$ 2,666.0
Net income				794.7	742.1	581.1
Cash dividend declared on common stock — \$0.70, \$0.56, and \$0.44 per share, respectively				(127.3)	(101.7)	(81.3)
Net repurchase of common stock and other				6.8	(141.1)	(136.3)
Ending balance				\$ 4,203.0	\$ 3,528.8	\$ 3,029.5
Accumulated Other Comprehensive (Loss) Income						
Pension and postretirement benefit plans:						
Beginning balance				\$ (196.4)	\$ (497.3)	\$ (120.4)
Changes in pension and other benefit plans, net of tax				(1,337.7)	300.9	—
Cumulative effect of adopting SFAS 158 (net of deferred income tax benefit of \$231.3)				—	—	(435.0)
Recognition of minimum pension liability				—	—	58.1
Ending balance				\$ (1,534.1)	\$ (196.4)	\$ (497.3)
Cumulative translation adjustments:						
Beginning balance				\$ 431.0	\$ 154.9	\$ (6.3)
Reclassification adjustment for (gains) losses included in net income				(6.5)	40.4	(16.5)
Foreign currency translation				(214.7)	235.7	177.7
Ending balance				\$ 209.8	\$ 431.0	\$ 154.9
Unrealized (loss) gain on investment securities:						
Beginning balance				\$ 0.7	\$ (0.3)	\$ (0.5)
Unrealized (loss) gain				(0.1)	1.0	0.2
Ending balance				\$ 0.6	\$ 0.7	\$ (0.3)
Total accumulated other comprehensive (loss) income				\$ (1,323.7)	\$ 235.3	\$ (342.7)
Total Shareholders' Equity				\$ 3,059.9	\$ 3,944.8	\$ 2,869.4

The accompanying Notes to Consolidated Financial Statements are an integral part of the above statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(DOLLARS AND SHARE AMOUNTS IN MILLIONS, UNLESS OTHERWISE STATED)

NOTE 1**Summary of Significant Accounting Policies****Consolidation Principles**

The consolidated financial statements include the accounts of ITT Corporation and all majority owned subsidiaries. Unless the context otherwise indicates, references herein to "ITT," "the Company," and such words as "we," "us," and "our" include ITT Corporation and its subsidiaries. ITT consolidates companies in which it owns more than 50% of the voting shares. The results of companies acquired or disposed of during the fiscal year are included in the consolidated financial statements from the effective date of acquisition or up to the date of disposal. All intercompany transactions have been eliminated. See Note 21, "Business Segment Information," for further information on our segments.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Estimates are revised as additional information becomes available. Actual results could differ from those estimates.

Sales and Revenue Recognition

ITT recognizes revenues as services are rendered and when title transfers for products, subject to any special terms and conditions of specific contracts. The Defense Electronics & Services business segment and certain businesses within the Fluid Technology business segment generally recognize sales and anticipated profits under long-term fixed-price contracts based on the units of delivery, the completion of scheduled performance milestones, or percentage of costs incurred to total costs. Estimated contract profits are recorded into earnings in proportion to recorded sales. During the performance of such contracts, estimated final contract prices and costs are periodically reviewed and revisions are made as required. The effect of these revisions to estimates is included in earnings in the period in which the revisions are made. Sales under cost-reimbursement contracts are recorded as costs are incurred and include estimated earned fees or profits calculated on the basis of the relationship between costs incurred and total estimated costs. For time-and-material contracts, revenue is recognized to the extent of billable rates times hours incurred plus material and other reimbursable costs incurred. Anticipated losses on contracts are recorded when first identified by ITT. Revenue arising from the claims process is not recognized either as income or as an offset against a potential loss until it can be reliably estimated and realization is probable.

Accruals for estimated expenses related to warranties are made at the time products are sold or services are rendered and are recorded as a component of cost of sales and revenues. These accruals are established using historical information on the nature, frequency and average cost of warranty claims and estimates of future costs.

Research and Development

Significant costs are incurred each year in connection with research and development ("R&D") programs that are expected to contribute to future earnings. R&D costs not specifically covered by contracts are charged to expense as incurred. R&D costs incurred under contracts with customers are charged directly to the related contracts and are reported as a component of costs of sales and revenues.

The amount of R&D costs incurred under contracts with customers included as a component of costs of sales and revenues amounted to \$935.2, \$708.9, and \$499.3 in 2008, 2007 and 2006, respectively.

Cash and Cash Equivalents

ITT considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

Inventories

Most inventories are valued at the lower of cost (first-in, first-out or "FIFO") or market. A full absorption policy is employed using standard cost techniques that are periodically reviewed and adjusted when required. Potential losses from obsolete and slow-moving inventories are recorded when identified. Domestic inventories valued under the last-in, first-out ("LIFO") method represent 7.6% and 9.7% of total 2008 and 2007 inventories, respectively. There would not have been a material difference in the value of inventories if the FIFO method had been used by us to value all inventories. See Note 9, "Inventories, Net," for further information.

Long-Lived Asset Impairment Losses

We record impairment losses on long-lived assets used in operations when events and circumstances indicate that the assets may be impaired and the undiscounted net cash flows estimated to be generated by those assets are less than their carrying amounts. When the undiscounted net cash flows are less than the carrying amount, losses are recorded for the difference between the discounted net cash flows of the assets and the carrying amount. See Note 4, "Restructuring and Asset

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

Impairment Charges," for further discussion on impairment losses.

Plant, Property and Equipment

Plant, property and equipment, including capitalized interest applicable to major project expenditures, are recorded at cost. For financial reporting purposes, depreciation is provided on a straight-line basis over the economic useful lives of the assets involved as follows: buildings and improvements – five to 40 years, machinery and equipment – two to 10 years, furniture and office equipment – three to seven years, and other – five to 40 years. See Note 10, "Plant, Property and Equipment, Net," for further information.

Goodwill and Other Intangible Assets

In accordance with Statement of Financial Accounting Standards ("SFAS") No. 142, "Goodwill and Other Intangible Assets" ("SFAS 142"), goodwill, the excess of cost over the fair value of net assets acquired, and indefinite-lived intangible assets are tested for impairment on an annual basis, or more frequently if circumstances warrant.

See Note 11, "Goodwill and Other Intangible Assets, Net," for further information.

Foreign Currency Translation

Balance sheet accounts are translated at the exchange rate in effect at the end of each period; income statement accounts are translated at the average rates of exchange prevailing during the period. Gains and losses on foreign currency translations are reflected in the cumulative translation adjustments component of shareholders' equity. The national currencies of the foreign companies are generally the functional currencies. Net gains/(losses) from foreign currency transactions are reported currently in selling, general and administrative expenses ("SG&A") and were \$3.9, \$1.7, and \$(0.7), in 2008, 2007, and 2006, respectively.

Employee Benefit Plans

ITT accounts for its defined benefit pension plans and other postretirement benefit plans using actuarial models as required by SFAS No. 87, "Employers' Accounting for Pensions" ("SFAS 87"), and SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions" ("SFAS 106"), respectively. These models use an attribution approach that generally spreads individual events over the service lives of the employees in the plan. Examples of "events" are changes in actuarial assumptions such as discount rate, rate of compensation increase and mortality.

Effective December 31, 2006, we adopted SFAS No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans – an amendment of FASB Statements No. 87, 88, 106 and 132(R)" ("SFAS 158"), which effectively requires balance sheet recognition of the underfunded or overfunded status of pension and postretirement benefit plans and to recognize changes in the funded status through comprehensive income. Actuarial gains and losses and prior service costs or credits that have not been recognized under SFAS 87 and SFAS 106 must be recognized in accumulated other comprehensive income within shareholders' equity, net of taxes, until they are amortized as a component of net periodic benefit cost.

See Note 16, "Employee Benefit Plans," for further information on our benefit plans.

Stock-Based Compensation

ITT adopted SFAS No. 123(R), "Share-Based Payment" ("SFAS 123R"), effective January 1, 2006 on a prospective basis in accounting for stock-based compensation. Accordingly, we recognize the employee services received in exchange for awards of equity instruments based on the grant-date fair value of the award as determined by option pricing models. The calculated compensation cost is recognized over the period that the employee is required to provide services per the conditions of the award. Generally, stock-based compensation costs are reflected in selling, general and administrative expenses. See Note 17, "Stock-Based and Long-Term Incentive Employee Compensation," for further detail.

Income Taxes

We determine the provision for income taxes using the asset and liability approach. Under this approach, deferred income taxes represent the expected future tax consequences of temporary differences between the carrying amounts and tax basis of assets and liabilities. We record a valuation allowance to reduce deferred tax assets when uncertainty regarding their reliability exists.

ITT adopted the Financial Accounting Standards Board ("FASB") Interpretation No. 48, "Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement No. 109" ("FIN 48"), effective January 1, 2007 which effectively changed the accounting for uncertain tax positions and related disclosures. See Note 6, "Income Taxes," for further details.

Commitments and Contingencies

We record accruals for commitments and loss contingencies for those which are both probable and the amount can be reasonably estimated. In addition, legal fees are accrued, for cases where a loss is probable and the related fees can be reasonably estimated.

Accruals for environmental matters are recorded on a site by site basis when it is probable that a liability has been incurred and the amount of the liability can be reasonably estimated, based on current law and existing technologies. Our estimated liability is reduced to reflect the anticipated participation of

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

other potentially responsible parties in those instances where it is probable that such parties are legally responsible and financially capable of paying their respective shares of the relevant costs. These accruals are adjusted periodically as assessment and remediation efforts progress or as additional technical or legal information becomes available. Actual costs to be incurred at identified sites in future periods may vary from the estimates, given inherent uncertainties in evaluating environmental exposures. Accruals for environmental liabilities are primarily included in other liabilities at undiscounted amounts and exclude claims for recoveries from insurance companies or other third parties. Recoveries from insurance companies or other third parties are included in other assets when it is known that a claim will be realized.

See Note 19, "Commitments and Contingencies," for further details.

Earnings Per Share

Basic earnings per share is based on the weighted average number of common shares outstanding. Diluted earnings per share is based on the weighted average number of common shares outstanding and potentially dilutive common shares, which include stock options and restricted stock. See Note 7, "Earnings Per Share," for further information.

Fair Value Measurements

In accordance with SFAS No. 157, "Fair Value Measurements" ("SFAS 157"), we determine fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction. We use a hierarchical structure to prioritize the inputs to valuation techniques used to measure fair value into three broad levels. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities ("Level 1"), then to quoted market prices for similar assets or liabilities in active markets ("Level 2") and the lowest priority to unobservable inputs (e.g., discounted cash flows) ("Level 3").

NOTE 2**New Accounting Pronouncements**

In September 2006, the FASB issued SFAS 157, which became effective January 1, 2008, except as amended by FASB Staff Positions ("FSP") 157-1, 157-2 and 157-3. SFAS 157 defines fair value, establishes a framework for measuring fair value and expands the related disclosure requirements. FSP 157-1 excludes SFAS No. 13, "Accounting for Leases," and its related interpretive accounting pronouncements that address leasing transactions, while FSP 157-2 delays the effective date of SFAS 157 for all nonfinancial assets and nonfinancial liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis, until fiscal years beginning after November 15, 2008. FSP 157-3 clarifies the application of SFAS 157 in a market that is not active and provides an example of how to determine the fair value of a financial asset in an inactive market. ITT adopted the provisions of SFAS 157, as amended, with the exception of the application of the statement to non-recurring nonfinancial assets and nonfinancial liabilities. The adoption of this statement did not have a material effect on ITT's financial statements for fair value measurements made during the year ended December 31, 2008. ITT will adopt the provisions of the statement related to non-recurring nonfinancial assets and nonfinancial liabilities effective January 1, 2009, and does not expect its adoption to have a material effect on ITT's financial statements.

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities" ("SFAS 159") effective January 1, 2008. SFAS 159, issued by the FASB in February 2007, permits an entity to measure certain financial assets and financial liabilities at fair value. Under SFAS 159, entities electing the fair value option will report unrealized gains and losses in earnings as of each subsequent reporting date. The fair value option may be elected on an instrument-by-instrument basis with few exceptions, as long as it is applied to the instrument in its entirety. SFAS 159 establishes presentation and disclosure requirements to help financial statement users understand the effect of an entity's election on its earnings. SFAS 159 requires prospective application. If an entity elects the fair value option for items existing as of the date of adoption, the difference between their carrying amount and fair value should be included in a cumulative-effect adjustment to the opening balance of retained earnings. ITT adopted this statement as of January 1, 2008, but has not elected to apply the fair value option to any eligible assets or liabilities. Thus, the adoption of this statement did not have a material effect on ITT's financial statements for the year ended December 31, 2008.

In December 2007, the FASB issued SFAS No. 141 (revised 2007), "Business Combinations" ("SFAS 141(R)"), which replaces SFAS No. 141, "Business Combinations." SFAS 141(R) retains the fundamental requirements in SFAS 141 that the acquisition method of accounting be used for all business combinations and for an acquirer to be identified for each business combination. However, SFAS 141(R) changes the method of applying the acquisition method in a number of significant areas, including that acquisition costs will generally be expensed as incurred; noncontrolling interests will be valued at fair value at the acquisition date; in-process research and development will be recorded at fair value as an indefinite-lived intangible asset at the acquisition date; restructuring costs

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

associated with a business combination will generally be expensed subsequent to the acquisition date; and changes in deferred tax asset valuation allowances and income tax uncertainties after the acquisition date generally will affect income tax expense. SFAS 141(R) is effective on a prospective basis for all business combinations for which the acquisition date is on or after the beginning of the first annual period subsequent to December 15, 2008, with the exception of the accounting for valuation allowances on deferred taxes and acquired tax contingencies. SFAS 141(R) amends SFAS No. 109, "Accounting for Income Taxes," such that adjustments made to valuation allowances on deferred taxes and acquired tax contingencies associated with acquisitions that closed prior to the effective date of SFAS 141(R) would also apply the provisions of SFAS 141(R). See Note 6, "Income Taxes," for further discussion. Early adoption of SFAS 141(R) is not permitted. ITT will adopt this statement effective January 1, 2009. While we do not expect a material impact on ITT's financial statements upon adoption, the effects on future periods will depend upon the nature and significance of future business combinations subject to this statement.

In December 2007, the FASB issued SFAS No. 160, "Noncontrolling Interests in Consolidated Financial Statements – an amendment of ARB No. 51." This statement requires the recognition of a noncontrolling interest (minority interest) as a separate component within equity within the consolidated balance sheet. It also requires the amount of consolidated net income attributable to the parent and the noncontrolling interest be clearly identified and presented within the consolidated statement of income. This statement also amends certain of ARB No. 51's consolidation procedures to make them consistent with the requirements of SFAS 141(R). SFAS 160 is effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2008. Earlier adoption is prohibited. ITT will adopt this statement effective January 1, 2009 and does not expect its adoption to have a material effect on ITT's financial statements.

In March 2008, the FASB issued SFAS No. 161, "Disclosures about Derivative Instruments and Hedging Activities – an amendment of FASB Statement No. 133." This statement amends SFAS No. 133 by requiring enhanced disclosures about an entity's derivative instruments and hedging activities, but does not change SFAS No. 133's scope or accounting. SFAS No. 161 requires increased qualitative, quantitative and credit-risk disclosures about the entity's derivative instruments and hedging activities. SFAS 161 is effective for fiscal years, and interim periods within those fiscal years, beginning after November 15, 2008, with earlier adoption permitted. ITT will adopt this statement effective January 1, 2009. This statement will not impact ITT's financial results as the statement is disclosure only in nature.

In June 2008, the FASB issued FSP No. EITF 03-6-1, "Determining Whether Instruments Granted in Share-Based Payment Transactions are Participating Securities." This FSP concluded that all outstanding unvested share-based payment awards that contain rights to nonforfeitable dividends participate in undistributed earnings with common shareholders and therefore are considered participating securities for purposes of computing earnings per share. Entities that have participating securities that are not convertible into common stock are required to use the "two-class" method of computing earnings per share. The two-class method is an earnings allocation formula that determines earnings per share for each class of common stock and participating security according to dividends declared (or accumulated) and participation rights in undistributed earnings. This FSP is effective for fiscal years beginning after December 15, 2008, and interim periods within those fiscal years. Early adoption is prohibited. ITT will adopt this statement effective January 1, 2009 and does not expect its adoption to have a material effect on ITT's financial statements.

In December 2008, the FASB issued FSP No. FAS 132(R)-1, "Employers' Disclosure about Postretirement Benefit Plan Assets," which amends SFAS No. 132(R) to require more disclosures about employers' plan assets of a defined benefit pension or other postretirement plan, including employers' investing strategies, major categories of plan assets, concentrations of risk within plan assets, and valuation techniques used to measure the fair value of plan assets. This FSP is effective for fiscal years ending after December 15, 2009. Earlier application of the provisions of this FSP is permitted. This statement will not impact ITT's financial results as the statement is disclosure only in nature.

NOTE 3**Acquisitions****2008 Acquisitions**

During 2008, we spent \$49.2, net of cash acquired on acquisitions that we do not believe are material individually or in the aggregate to our results of operations or financial position, as well as other acquisition-related costs. Additionally, we spent \$226.5 in connection with companies acquired during 2007. See below for further information.

2007 Acquisitions**EDO Corporation**

On December 20, 2007, ITT acquired all of the outstanding shares of EDO Corporation ("EDO"), a global aerospace and

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

defense company, for \$56 per outstanding share of EDO plus the assumption of debt, which valued the transaction at approximately \$1.8 billion. There was no contingent consideration related to the acquisition.

EDO designs and manufactures a diverse range of products for defense, intelligence and commercial markets, and provides related engineering and professional services. The addition of EDO allows our Defense Electronics & Services business segment to provide a broader set of solutions to a wider band of customers. Furthermore, we expect to be better positioned to play an important role in some of the U.S. military's vital transformational initiatives.

ITT's results of operations for the year ended December 31, 2007 reflect the impact of results of operations for EDO from December 20, 2007.

As of December 31, 2007, the excess of the purchase price over the fair value of net assets acquired was \$1,200.4 (none of which is tax deductible), and was recorded as goodwill in the Defense Electronics & Services business segment. Intangible assets relating to this acquisition totaled \$442.4 at December 31, 2007, entirely consisting of customer relationships, with a weighted average amortization period of approximately 13 years.

The following table summarizes the preliminary estimates of fair values of the assets acquired and liabilities assumed from EDO as of December 20, 2007, the effective date of the acquisition:

	TOTAL IMPACT
Current assets	\$ 534.6
Goodwill and intangible assets	1,642.8
Other non-current assets	107.4
Total assets acquired	\$ 2,284.8
Current liabilities	\$ 321.8
Long-term debt	567.0
Pension and other benefit plan obligations, long-term	60.8
Other long-term liabilities	150.0
Net assets acquired	\$ 1,185.2

We finalized our purchase price allocation during 2008, which resulted in an increase to recorded goodwill of \$36.6, and a decrease of \$31.5 in amortizable intangible assets.

Other 2007 Acquisitions

During 2007, we spent \$410.5, net of cash acquired, and including direct acquisition costs, on acquisitions that we do not believe are material individually or in the aggregate to our results of operations or financial position. The most significant of these acquisitions was International Motion Control, Inc. ("IMC"), which we acquired on September 10, 2007 for \$390.5, net of cash acquired and including direct acquisition costs. IMC is a global developer of motion control products, and is a market leader in the manufacture of specialty energy absorption, industrial and aviation control and automation technology. IMC, which had 2006 revenues of approximately \$200, adds a complementary mix of highly engineered, mission-critical products to ITT's Motion & Flow Control business segment.

2006 Acquisitions

During 2006, we spent \$89.5 on acquisitions that we do not believe are material individually or in the aggregate to our results of operations or financial position.

NOTE 4**Restructuring and Asset Impairment Charges****Fourth Quarter 2008 Restructuring Activities and Asset Impairment Charges**

In response to current and anticipated market conditions, we accelerated restructuring activities across our businesses during the fourth quarter of 2008. These restructuring actions resulted in a net restructuring charge of \$56.3 and related payments of \$9.5. We anticipate an additional \$6.2 of restructuring charges will be incurred and payments of \$47.7 will occur during 2009 related to these actions.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

Components of Charges

	FOURTH QUARTER 2008 ACTIONS						PLANNED POSITION ELIMINATIONS
	SEVERANCE	OTHER EMPLOYEE-RELATED COSTS	LEASE CANCELLATION & OTHER COSTS	ASSET WRITE-OFFS	TOTAL		
Fluid Technology	\$ 24.1	\$ 0.2	\$ 0.4	\$ 0.1	\$ 24.8	523	
Defense Electronics & Services	8.3	0.7	0.4	-	9.4	144	
Motion & Flow Control	19.7	0.3	0.3	0.8	21.1	578	
Corporate and Other	0.9	0.1	-	-	1.0	13	
	\$ 53.0	\$ 1.3	\$ 1.1	\$ 0.9	\$ 56.3	1,258	

The charges associated with actions announced during the fourth quarter of 2008 primarily represent a reduction of structural costs in all business segments and the planned closure of a facility within the Motion & Flow Control business segment. Planned position eliminations total 1,258, including 601 factory workers, 629 office workers and 28 management employees.

Additionally, during the fourth quarter of 2008, we recorded a net restructuring and asset impairment charge of \$5.3, reflecting costs of \$3.9 related to prior actions and the reversal of \$0.4 of restructuring accruals that management determined would not be required, as well as an asset impairment charge of \$1.8 related to the write-down of software due to a decision to cancel a project as a result of an organizational realignment.

2008 Restructuring Activities

During 2008, we recorded a net restructuring charge of \$74.6, reflecting costs of \$66.9 related to new actions and \$9.3 related to prior years' plans, as well as the reversal of \$1.6 of restructuring accruals that management determined would not be required.

Components of Charges

	2008 ACTIONS						PLANNED POSITION ELIMINATIONS	PRIOR YEARS' PLANS ADDITIONAL COSTS	REVERSAL OF ACCRUALS
	SEVERANCE	OTHER EMPLOYEE-RELATED COSTS	LEASE CANCELLATION & OTHER COSTS	ASSET WRITE-OFFS	TOTAL				
Fluid Technology	\$ 30.7	\$ 0.4	\$ 0.9	\$ 0.1	\$ 32.1	600	\$ 3.2	\$ (1.0)	
Defense Electronics & Services	9.6	0.7	0.6	-	10.9	157	0.1	(0.2)	
Motion & Flow Control	20.5	0.6	0.4	0.8	22.3	589	6.0	(0.4)	
Corporate and Other	1.4	0.1	0.1	-	1.6	14	-	-	
	\$ 62.2	\$ 1.8	\$ 2.0	\$ 0.9	\$ 66.9	1,360	\$ 9.3	\$ (1.6)	

The charges associated with actions announced during 2008 primarily represent a reduction of structural costs in all business segments and the planned closure of a facility in the Motion & Flow Control business segment and a facility in the Defense Electronics & Services business segment. Planned position eliminations total 1,360, including 614 factory workers, 704 office workers and 42 management employees. The costs associated with the prior years' plans primarily reflect severance and lease cancellation related costs.

2008 Asset Impairment Charges

During 2008, we recognized \$2.9 of charges related to the impairment of long-lived assets. During the fourth quarter of 2008, we recognized an asset impairment charge of \$1.8 related to the write-down of software due to a decision to cancel a project as a result of an organizational realignment. During the third quarter of 2008, we recognized an impairment charge of \$1.1 related to one of our Motion & Flow Control businesses, reflecting the reduction of our expected future earnings for this business.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

2007 Restructuring Activities

During 2007, we recorded a net restructuring charge of \$61.1, reflecting costs of \$57.9 related to new actions and \$7.4 related to prior year plans, as well as the reversal of \$4.2 of restructuring accruals that management determined would not be required.

Components of Charges

	2007 ACTIONS					TOTAL	PLANNED POSITION ELIMINATIONS	PRIOR YEARS' PLANS ADDITIONAL COSTS	REVERSAL OF ACCRUALS
	SEVERANCE	OTHER EMPLOYEE-RELATED COSTS	LEASE CANCELLATION & OTHER COSTS	ASSET WRITE-OFFS					
Fluid Technology	\$ 32.7	\$ 0.5	\$ 1.4	\$ 2.1	\$ 36.7	410	\$ 3.5	\$ (1.1)	
Defense Electronics & Services	6.2	–	1.5	–	7.7	115	2.9	(0.9)	
Motion & Flow Control	9.5	–	0.3	0.4	10.2	201	1.0	(0.5)	
Corporate and Other	3.3	–	–	–	3.3	3	–	(1.7)	
	\$ 51.7	\$ 0.5	\$ 3.2	\$ 2.5	\$ 57.9	729	\$ 7.4	\$ (4.2)	

The charges associated with actions announced during 2007 represent a reduction of structural costs in all business segments and the planned closure of four facilities in the Fluid Technology business segment, one facility in the Motion & Flow Control business segment and two facilities in the Defense Electronics & Services business segment. Planned position eliminations total 729, including 341 factory workers, 345 office workers and 43 management employees. The costs associated with prior years' plans primarily reflect additional costs related to an adjustment to the write-off of leased space as well as asset write-offs and severance costs.

2007 Asset Impairment Charges

During the fourth quarter of 2007, we recognized \$5.0 of charges related to the impairment of long-lived assets. The impairment was the result of our determination that two businesses, one within the Motion & Flow Control business segment and one within the Fluid Technology business segment, were experiencing lower than expected financial results, and as a result certain long-lived assets of those businesses may be impaired. After revising the earnings forecasts for those businesses to reflect current business conditions, asset impairment charges of \$4.2 and \$0.8 were recorded within the Motion & Flow Control and Fluid Technology business segments, respectively.

2006 Restructuring Activities

During 2006, we recorded a net restructuring charge of \$51.7, reflecting costs of \$52.7 related to new actions and \$3.8 related to prior year plans, as well as the reversal of \$4.8 of restructuring accruals that management determined would not be required.

Components of Charges

	2006 ACTIONS					TOTAL	PLANNED POSITION ELIMINATIONS	PRIOR YEARS' PLANS ADDITIONAL COSTS	REVERSAL OF ACCRUALS
	SEVERANCE	OTHER EMPLOYEE-RELATED COSTS	LEASE CANCELLATION & OTHER COSTS	ASSET WRITE-OFFS					
Fluid Technology	\$ 17.0	\$ 2.8	\$ 5.7	\$ 1.2	\$ 26.7	441	\$ 0.9	\$ (0.9)	
Defense Electronics & Services	3.2	0.1	3.9	–	7.2	113	–	(0.9)	
Motion & Flow Control	11.3	0.1	4.1	1.2	16.7	236	2.8	(3.0)	
Corporate and Other	2.1	–	–	–	2.1	26	0.1	–	
	\$ 33.6	\$ 3.0	\$ 13.7	\$ 2.4	\$ 52.7	816	\$ 3.8	\$ (4.8)	

The charges associated with actions announced during 2006 represent a reduction of structural costs in all business segments and the closure of three facilities in the Fluid Technology business segment, two in the Motion & Flow Control business segment and one in the Defense Electronics & Services business segment. Planned position eliminations total 816, including 427 factory workers, 360 office workers and 29 management employees. The costs associated with prior years' plans primarily reflect additional severance costs.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

The following table displays a rollforward of restructuring accruals:

	DEFENSE ELECTRONICS & SERVICES	FLUID TECHNOLOGY	MOTION & FLOW CONTROL	CORPORATE AND OTHER	TOTAL
Balance, January 1 2006	\$ -	\$ 19.0	\$ 8.9	\$ 0.2	\$ 28.1
Additional charges for prior year plans	-	0.9	2.8	0.1	3.8
Cash payments and other related to prior charges	-	(14.1)	(8.0)	(0.3)	(22.4)
Reversals of prior charges	-	(0.7)	(2.7)	-	(3.4)
Charges for 2006 actions	7.2	26.7	16.7	2.1	52.7
Reversal of 2006 charges	(0.9)	(0.2)	(0.3)	-	(1.4)
Cash payments and other related to 2006 charges	(3.0)	(8.0)	(8.9)	(0.5)	(20.4)
Asset write-offs	-	(1.2)	(1.2)	-	(2.4)
Balance December 31, 2006	3.3	22.4	7.3	1.6	34.6
Additional charges for prior year plans	2.9	3.5	1.0	-	7.4
Cash payments and other related to prior charges	(2.0)	(17.9)	(5.3)	(1.2)	(26.4)
Reversals of prior charges	(0.6)	(1.1)	(0.3)	-	(2.0)
Charges for 2007 actions	7.7	36.7	10.2	3.3	57.9
Reversal of 2007 charges	(0.3)	-	(0.2)	(1.7)	(2.2)
Cash payments and other related to 2007 charges	(3.1)	(20.5)	(3.2)	-	(26.8)
Asset write-offs	-	(2.1)	(0.4)	-	(2.5)
Balance December 31, 2007	7.9	21.0	9.1	2.0	40.0
Additional charges for prior year plans	0.1	3.2	6.0	-	9.3
Cash payments and other related to prior charges	(5.1)	(20.8)	(10.4)	(1.5)	(37.8)
Reversals of prior charges	(0.2)	(0.6)	(0.3)	-	(1.1)
Charges for 2008 actions	10.9	32.1	22.3	1.6	66.9
Reversal of 2008 charges	-	(0.4)	(0.1)	-	(0.5)
Cash payments and other related to 2008 charges	(3.1)	(8.5)	(5.5)	(0.4)	(17.5)
Asset write-offs	-	(0.1)	(0.8)	-	(0.9)
Balance December 31, 2008	\$ 10.5	\$ 25.9	\$ 20.3	\$ 1.7	\$ 58.4

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

The accrual balance as of December 31, 2008 of \$58.4 includes \$51.2 for severance and \$7.2 for facility carrying costs and other. The following is a reconciliation of employee position eliminations associated with restructuring activities through 2008:

Planned reductions as of January 1, 2006	204
Planned reductions from 2006 actions	816
Actual reductions, January 1 – December 31, 2006	(750)
Planned reductions as of December 31, 2006	270
Planned reductions from 2007 actions	729
Actual reductions, January 1 – December 31, 2007	(686)
Planned reductions as of December 31, 2007	313
Planned reductions from 2008 actions	1,360
Actual reductions, January 1 – December 31, 2008	(1,165)
Planned reductions as of December 31, 2008	508

As of the end of 2008, of the planned facility closures, one facility in the Motion & Flow Control business segment remains to be closed. This closure is expected during the first half of 2009.

NOTE 5

Discontinued Operations

Switches

During 2007, we sold the majority of the Switches businesses to a private equity firm, for net proceeds of \$223.2, and an after-tax gain of \$84.4. During the third quarter of 2008, we completed the sale of the remaining component of the Switches businesses to the same buyer, for net proceeds of \$5.1. As a result, we recorded an after-tax gain on sale of \$5.4 for the year ended December 31, 2008.

Revenues and operating income for the Switches businesses reported in discontinued operations were as follows:

YEAR ENDED DECEMBER 31	2008	2007	2006
Revenues	\$7.7	\$177.8	\$374.8
Operating income	\$0.2	\$ 11.0	\$ 30.6

Fluid Handling Systems

In the first quarter of 2006, we completed the sale of our automotive brake and fueling tubing and components business ("Fluid Handling Systems" or "FHS") to a privately held company for net proceeds of \$187.7 and a gain of \$19.0. The business, which was a component of our Motion & Flow Control business segment, manufactures steel and plastic tubing for fuel and brake lines, quick-connects, and serves the transportation industry.

Revenues and operating income were \$41.2 and \$2.6, respectively, for the year ended December 31, 2006.

Richter

During the first quarter of 2006, we also completed the sale of our industrial non-metallic lined pumps and valves business ("Richter") to a private equity investor for net proceeds of \$24.8 and a gain of \$22.2. The business, which was a component of the Fluid Technology business segment, was a manufacturer of pumps and valves for selected segments in the chemical, fine chemical and pharmaceutical industries.

Revenues and operating income were \$2.0 and \$0.2, respectively, for the year ended December 31, 2006.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

NOTE 6

Income Taxes

Income tax data from continuing operations is as follows:

YEAR ENDED DECEMBER 31	2008	2007	2006
U.S. and foreign components of income from continuing operations before income taxes:			
U.S.	\$ 662.6	\$ 454.9	\$ 367.1
Foreign	424.9	443.6	360.2
	\$ 1,087.5	\$ 898.5	\$ 727.3
Provision (benefit) for income tax:			
Current:			
U.S. federal	\$ 160.2	\$ 89.8	\$ 62.5
State and local	4.8	8.1	7.5
Foreign	130.6	133.5	94.4
	\$ 295.6	\$ 231.4	\$ 164.4
Deferred:			
U.S. federal	\$ 23.0	\$ 21.8	\$ 53.2
State and local	(0.4)	4.1	0.6
Foreign	(5.9)	8.2	9.4
	16.7	34.1	63.2
Total income tax expense	\$ 312.3	\$ 265.5	\$ 227.6

A reconciliation of the tax provision at the U.S. statutory rate to the effective income tax expense rate as reported is as follows:

YEAR ENDED DECEMBER 31	2008	2007	2006
Tax provision at U.S. statutory rate	35.0%	35.0%	35.0%
Foreign tax rate differential	(2.2)	(1.4)	(3.1)
Effect of repatriation of foreign earnings	(0.4)	(0.7)	(2.4)
State and local income tax	0.4	1.4	0.7
Research credit	(0.2)	(0.3)	(0.4)
Tax examinations	-	(4.9)	(1.1)
Domestic manufacturing deduction	(0.3)	(1.0)	(1.1)
Penalty	-	-	2.4
Tax account validation adjustment	(3.8)	-	-
Other	0.2	1.4	0.2
Effective income tax expense rate	28.7%	29.5%	31.3%

Deferred income taxes are established for temporary differences between the amount of assets and liabilities recognized for financial reporting purposes and for tax reporting purposes and for carryforwards.

Deferred tax assets (liabilities) include the following:

DECEMBER 31	2008		2007	
	DEFERRED ASSETS	DEFERRED LIABILITIES	DEFERRED ASSETS	DEFERRED LIABILITIES
Employee benefits	\$ 936.5	\$ -	\$ 172.0	\$ -
Accelerated depreciation	-	(6.3)	-	(34.3)
Accruals	198.3	-	185.3	-
Uniform capitalization	11.7	-	4.5	-
Investment	-	(108.5)	-	(112.3)
Loss carryforwards	293.0	-	302.8	-
Foreign tax credit	1.1	-	1.1	-
State credit carryforwards	7.8	-	8.6	-
Intangibles	-	(322.4)	-	(327.2)
Other	-	(22.3)	-	(70.3)
Subtotal	1,448.4	(459.5)	674.3	(544.1)
Valuation allowance	(265.4)	-	(212.2)	-
	\$ 1,183.0	\$ (459.5)	\$ 462.1	\$ (544.1)

Deferred taxes in the Consolidated Balance Sheets consist of the following:

DECEMBER 31	2008	2007
Current assets	\$ 203.4	\$ 105.9
Non-current assets	608.5	29.7
Other current liabilities	(26.7)	(8.2)
Other liabilities	(61.7)	(209.4)
	\$ 723.5	\$ (82.0)

No provision was made for U.S. taxes payable on accumulated undistributed foreign earnings of certain subsidiaries amounting to approximately \$1,474.8 because these amounts are permanently reinvested. While the amount of federal income taxes, if such earnings are distributed in the future, cannot be determined, such taxes may be reduced by tax credits and other deductions. Taxes have not been provided for other outside basis differences since these differences are not expected to reverse in the foreseeable future.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

We have the following attributes available for utilization:

ATTRIBUTE:	AMOUNT	FIRST YEAR OF EXPIRATION
U.S. net operating loss	\$ 25.9	December 31, 2020
State net operating losses	\$ 2,794.5	December 31, 2009
Federal and state capital loss	\$ 136.3	December 31, 2012
State tax credits	\$ 7.8	December 31, 2012
U.S. foreign tax credits	\$ 1.1	December 31, 2009
Foreign net operating loss	\$ 554.5	December 31, 2009

As of December 31, 2008, a valuation allowance of \$265.4 exists for certain U.S. subsidiary state net operating loss carryforwards, certain foreign net operating loss carryforwards, and certain U.S. federal capital loss carryforwards that may not be realized. As of December 31, 2007, a valuation allowance of \$212.2 existed for certain U.S. subsidiary state net operating loss carryforwards, certain foreign net operating loss carryforwards, and certain U.S. federal capital loss carryforwards that may not be realized. During 2008, the valuation allowance increased by \$53.2 resulting from the following: increase of \$4.1 attributable to foreign net operation loss carryforwards, decrease of \$13.6 attributable to state net operating loss carryforwards, an increase of \$57.0 attributable to the state deferred tax asset for pension, and an increase of \$5.7 attributable to U.S. federal and state capital loss carryforwards.

Shareholders' equity at December 31, 2008 and 2007 reflects tax benefits related to stock-based compensation in 2008 and 2007 of approximately \$8.6 and \$21.5, respectively.

The Internal Revenue Service ("IRS") is currently examining our federal consolidated income tax returns for the years ended December 31, 2004 through December 31, 2006. The IRS has completed its examination of all years through 2003. As of December 31, 2008 we believe the accrual for income taxes payable is sufficient to cover potential liabilities arising from these examinations.

Uncertain Tax Positions

Under FIN 48, we recognize tax benefits from uncertain tax positions only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the Consolidated Financial Statements from such positions are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement.

A reconciliation of the beginning and ending amount of unrecognized tax benefits as of December 31, 2008 is as follows:

	2008
Balance at January 1	\$ 103.3
Additions based on tax positions related to the current year	6.6
Additions based on tax positions related to purchase accounting	2.4
Additions for tax positions of prior years	66.2
Reductions for tax positions of prior years	(13.5)
Reductions for tax positions related to purchase accounting	(2.2)
Settlements	(15.3)
Lapse of statute of limitations	(2.6)
Balance at December 31	\$ 144.9

As of January 1, 2009, we will adopt FAS 141(R) and subsequent recognition, if any, of a previously unrecognized tax position will be reflected in tax expense attributable to continuing or discontinued operations. As of December 31, 2008, the recognition of the uncertain tax positions that would affect the effective tax rate is \$76.9. Included in the balance at December 31, 2008 are tax positions of \$59.8, which because of deferred tax accounting would not impact the annual effective rate, but could accelerate the payment of cash to the taxing authority. In addition, tax positions of \$8.2 attributable to discontinued operations would not impact the annual effective tax rate.

We do not believe that the unrecognized tax benefits will significantly change within twelve months of the reporting date.

In many cases, uncertain tax positions are related to tax years that remain subject to examination by the relevant taxing authorities. The following table summarizes these open tax years by major jurisdiction:

JURISDICTION	EARLIEST OPEN YEAR
Austria	2004
Canada	1999
Germany	2000
Italy	2003
Netherlands	2002
Sweden	2003
United Kingdom	2003
United States	2004

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

We classify interest relating to tax matters as a component of interest expense and tax penalties as a component of income tax expense in our Consolidated Income Statement. During the years ended December 31, 2008 and 2007, we recognized \$9.7 and \$6.7 in interest and penalties, respectively. We had \$28.1 and \$36.2 for the payment of interest and penalties accrued for as of December 31, 2008 and 2007, respectively.

NOTE 7**Earnings Per Share**

A reconciliation of the data used in the calculation of basic and diluted earnings per share computations for income from continuing operations is as follows:

YEAR ENDED DECEMBER 31	2008		2007		2006	
Basic Earnings Per Share:						
Income from continuing operations	\$	775.2	\$	633.0	\$	499.7
Average common shares outstanding		180.7		180.6		184.3
Basic earnings per share	\$	4.29	\$	3.51	\$	2.71
Diluted Earnings Per Share:						
Income from continuing operations	\$	775.2	\$	633.0	\$	499.7
Average common shares outstanding		180.7		180.6		184.3
Add: Impact of stock options and restricted stock		2.7		3.4		3.1
Average common shares outstanding on a diluted basis		183.4		184.0		187.4
Diluted earnings per share	\$	4.23	\$	3.44	\$	2.67

Shares underlying stock options excluded from the computation of diluted earnings per share because they were anti-dilutive were as follows:

DECEMBER 31	2008		2007		2006	
Stock options		4.1		0.5		0.8
Average exercise price	\$	49.29	\$	56.78	\$	52.60
Years of expiration		2012-2015		2012-2014		2012-2013

The amounts of anti-dilutive restricted common stock excluded from the computation of diluted earnings per share for 2008, 2007 and 2006 were insignificant.

NOTE 8**Receivables, Net**

DECEMBER 31	2008		2007	
Trade	\$	1,909.4	\$	1,843.3
Other		92.9		127.9
Less – allowance for doubtful accounts and cash discounts		(41.2)		(36.2)
	\$	1,961.1	\$	1,935.0

NOTE 9**Inventories, Net**

DECEMBER 31	2008		2007	
Finished goods	\$	196.2	\$	209.4
Work in process		323.0		304.0
Raw materials		365.5		470.8
Less – progress payments		(80.9)		(96.6)
	\$	803.8	\$	887.6

NOTE 10**Plant, Property and Equipment, Net**

DECEMBER 31	2008		2007	
Land and improvements	\$	59.0	\$	58.7
Buildings and improvements		575.9		573.3
Machinery and equipment		1,620.2		1,598.8
Furniture, fixtures and office equipment		230.9		232.6
Construction work in progress		132.4		93.3
Other		82.3		76.5
		2,700.7		2,633.2
Less – accumulated depreciation and amortization		(1,706.8)		(1,652.9)
	\$	993.9	\$	980.3

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

NOTE 11

Goodwill and Other Intangible Assets, Net

Changes in the carrying amount of goodwill for the years ended December 31, 2008 and 2007 by business segment are as follows:

	DEFENSE ELECTRONICS & SERVICES	FLUID TECHNOLOGY	MOTION & FLOW CONTROL	CORPORATE AND OTHER	TOTAL
Balance as of January 1, 2007	\$ 962.3	\$ 1,123.9	\$ 245.6	\$ 5.0	\$ 2,336.8
Goodwill acquired during the period	1,214.4	5.4	236.9	–	1,456.7
Other-net, including foreign currency translation	0.1	38.1	(2.0)	–	36.2
Balance as of December 31, 2007	2,176.8	1,167.4	480.5	5.0	3,829.7
Goodwill acquired during the period	–	7.0	16.2	–	23.2
Adjustments to purchase price allocations	34.0	–	3.0	–	37.0
Other-net, including foreign currency translation	(0.2)	(52.1)	(6.3)	–	(58.6)
Balance as of December 31, 2008	\$ 2,210.6	\$ 1,122.3	\$ 493.4	\$ 5.0	\$ 3,831.3

Information regarding our other intangible assets is as follows:

	GROSS CARRYING AMOUNT	ACCUMULATED AMORTIZATION	NET INTANGIBLES
2007			
Finite-lived intangibles:			
Customer relationships	\$ 672.9	\$(62.1)	\$ 610.8
Proprietary technology	63.2	(15.5)	47.7
Trademarks	28.3	(2.3)	26.0
Patents and other	53.2	(22.2)	31.0
Indefinite-lived intangibles- Brands and trademarks	17.5	–	17.5
Balance as of December 31, 2007	\$ 835.1	\$(102.1)	\$ 733.0
2008			
Finite-lived intangibles:			
Customer relationships	\$ 643.7	\$(149.9)	\$ 493.8
Proprietary technology	68.4	(20.2)	48.2
Trademarks	32.1	(4.9)	27.2
Patents and other	54.7	(25.7)	29.0
Indefinite-lived intangibles- Brands and trademarks	18.3	–	18.3
Balance as of December 31, 2008	\$ 817.2	\$(200.7)	\$ 616.5

Amortization expense related to intangible assets for 2008, 2007 and 2006 was \$100.0, \$35.3 and \$26.7, respectively.

Estimated amortization expense for each of the five succeeding years is as follows:

	2009	2010	2011	2012	2013
	\$102.1	\$79.8	\$67.0	\$58.1	\$42.0

Customer relationships, proprietary technology, trademarks and patents and other are amortized over weighted average lives of approximately 15 years, 13 years, 14 years and 16 years, respectively.

Impairment Testing

We account for goodwill and indefinite-lived intangibles in accordance with SFAS 142. SFAS 142 states that goodwill and indefinite-lived intangible assets are not amortized, but are instead reviewed for impairment annually (or more frequently if impairment indicators arise). We conduct our annual impairment testing on October 1 to determine if we will be able to recover all or a portion of the carrying value of goodwill and indefinite-lived intangibles.

We conducted our annual goodwill impairment test as of October 1, 2008, and determined that there was no impairment. Subsequently, we updated our forecast assumptions to reflect declining economic conditions. As a result, we reassessed goodwill for impairment for those reporting units significantly affected by changes to our initial projections. Despite declines in the estimated fair value for certain reporting units since our annual impairment test, we concluded that there were no impairments as of the interim test dates.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

We will continue to closely monitor the 2009 results and projections for these units and the economic conditions of their product end-markets. Any significant change in market conditions and estimates or judgments could give rise to impairment in the period that the change becomes known.

NOTE 12

Other Assets

Other assets consist of the following:

DECEMBER 31	2008	2007
Insurance receivables	\$ 198.3	\$ 182.0
Other employee benefit-related assets	61.2	51.3
Other long-term third party receivables-net	46.7	54.3
Capitalized software costs	26.4	27.0
Investments in unconsolidated companies	8.4	9.3
Environmental and employee benefit trusts	1.8	8.7
Pension assets and prepaid benefit plan costs	1.7	675.6
Other	21.3	42.0
	\$ 365.8	\$ 1,050.2

ITT recorded sales to unconsolidated affiliates during 2008, 2007 and 2006 totaling \$17.3, \$13.7 and \$16.0, respectively. Additionally, ITT purchased \$18.1 of products from unconsolidated affiliates during 2008. For all investments in unconsolidated companies, our exposure is limited to the amount of the investment. All investments accounted for under the cost method represent voting rights interests of less than 20%.

NOTE 13

Leases and Rentals

ITT leases certain offices, manufacturing buildings, land, machinery, automobiles, aircraft, computers and other equipment. Such leases expire at various dates and may include renewals and escalations. ITT often pays maintenance, insurance and tax expense related to leased assets. Rental expenses under operating leases were \$133.3, \$99.2 and \$85.1, for 2008, 2007 and 2006, respectively. Future minimum operating lease payments under long-term operating leases as of December 31, 2008 are shown below.

	2009	2010	2011	2012	2013	2014 and thereafter	Total minimum lease payments
							\$ 126.4
							105.7
							91.1
							75.8
							73.6
							248.6
							\$ 721.2

NOTE 14

Debt

Debt consists of the following:

	December 31	
	2008	2007
Short-term debt		
Commercial paper ⁽¹⁾	\$ 1,618.7	\$ 1,589.7
Short-term loans ⁽¹⁾	47.0	1,317.2
Current maturities of long-term debt and other ⁽²⁾	13.3	176.1
Short-term debt and current maturities of long-term debt	\$ 1,679.0	\$ 3,083.0

	INTEREST RATE	December 31	
		2008	2007
Long-term debt			
Notes and debentures:			
Maturity date			
2/1/2008	8.875%	\$ -	\$ 13.2
5/1/2011	6.500%	31.7	31.7
7/1/2011	7.500%	37.4	37.4
2008-2014	4.700%	82.2	89.9
11/15/2025	7.400%	250.0	250.0
8/25/2048	(3)	17.3	17.3
2008 – 2022 ⁽²⁾	(4)	16.3	171.6
Deferred gain on interest rate swaps ⁽⁵⁾		54.7	59.2
Subtotal		489.6	670.3
Less – unamortized discount		(8.4)	(11.2)
Long-term debt ⁽⁶⁾		481.2	659.1
Less – current maturities of long-term debt and other ⁽²⁾		(13.3)	(176.1)
Net long-term debt ⁽⁷⁾		\$ 467.9	\$ 483.0

(1) The weighted average interest rate for short-term borrowings was 6.17% and 5.78% at December 31, 2008 and 2007, respectively. The fair value of our short-term loans approximates carrying value.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

- (2) Includes \$153.5 related to debt acquired in connection with the acquisition of EDO at December 31, 2007, which was repaid during 2008.
- (3) The interest rate was 0.16% and 4.52% at December 31, 2008 and 2007, respectively.
- (4) The weighted average interest rate was 5.38% and 2.62% at December 31, 2008 and 2007, respectively.
- (5) Deferred gain on terminated interest rate swaps accreted into income over the remaining terms of the underlying debt, which mature at various dates through 2025.
- (6) The fair value of long-term debt excluding the deferred gain on interest rate swaps was \$450.4 and \$474.7 as of December 31, 2008 and 2007, respectively. The year-over-year decrease in fair value primarily reflects the impact of principal payments on certain long-term debt.
- (7) The fair value of net long-term debt excluding the deferred gain on interest rate swaps was \$437.1 and \$460.2 as of December 31, 2008 and 2007, respectively. The year-over-year decrease in fair value primarily reflects the impact of principal payments on certain long-term debt.

Principal payments required on long-term debt and other for the next five years are:

	2009	2010	2011	2012	2013
	\$13.1	\$ 10.4	\$ 79.7	\$ 10.0	\$ 13.0

The book value of assets pledged as collateral amounted to \$46.6 as of December 31, 2008.

In November 2005, ITT entered into a five-year revolving credit agreement in the aggregate principal amount of \$1.25 billion. Effective November 8, 2007, ITT exercised the option to increase the principal amount under the revolving credit agreement to \$1.75 billion. In March 2008, ITT entered into a new 364-day revolving credit agreement (the "March 2008 Credit Facility"), providing an additional \$1.0 billion principal amount of available borrowings. As a result, the maximum amount of outstanding borrowings under both facilities is now \$2.75 billion. The intended purpose of these credit agreements is to provide additional liquidity as a source of funding for the commercial paper program, if needed.

The interest rate for borrowings under these agreements is generally based on the London Interbank Offered Rate ("LIBOR"), plus a spread, which reflects ITT's debt rating. The commitment fee on the November 2005 and March 2008 Credit Facilities is 0.08% and 0.06%, respectively, of the total commitment. The provisions of this agreement require that we maintain a minimum interest coverage ratio. At December 31, 2008, we were in compliance with our financial covenants.

Prior to December 2007, borrowing through commercial paper and under the revolving credit agreements could not exceed \$1.25 billion in the aggregate outstanding. In December 2007, the ITT Board of Directors approved commercial paper borrowings to increase up to \$1.75 billion. At December 31, 2008, commercial paper borrowings were \$1,618.7.

As of December 31, 2008, ITT had an \$82.2 obligation associated with a ten-year agreement involving the sale and the subsequent lease back of certain properties. Under the terms of the agreement, ITT is required to make annual payments of principal and interest. At the end of the agreement in 2014, ITT has the option to repurchase the applicable properties for a nominal fee. This transaction is reflected as debt.

NOTE 15

Other Liabilities

Other liabilities consist of the following:

DECEMBER 31	2008	2007
Product liability, guarantees and other legal matters	\$ 275.1	\$ 264.6
Deferred income taxes and other tax-related accruals	182.9	310.1
Compensation and other employee-related benefits	133.8	139.5
Environmental	119.5	110.2
Other	69.0	79.6
	\$ 780.3	\$ 904.0

NOTE 16

Employee Benefit Plans

Investment and Savings Plans

ITT sponsors numerous defined contribution savings plans, which allow employees to contribute a portion of their pre-tax and/or after-tax income in accordance with specified guidelines.

Several of the plans require us to match a percentage of the employee contributions up to certain limits. Matching contributions charged to income amounted to \$55.0, \$36.6 and \$35.6 for the years ended 2008, 2007 and 2006, respectively.

Pension Plans

ITT sponsors numerous defined benefit pension plans. We fund employee pension benefits, except in some countries outside the U.S., where funding is not required. In addition to sponsored pension plans, certain employees participate in multi-employer pension plans sponsored by local or national unions. Our contribution to such plans amounted to \$0.6, \$0.8 and \$1.2, for 2008, 2007 and 2006, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

Postretirement Health and Life Insurance Plans

ITT provides health care and life insurance benefits for certain eligible retired employees. We have pre-funded a portion of the health care and life insurance obligations, where such pre-funding can be accomplished on a tax-effective basis.

Changes in benefit obligations, plan assets, and funded status for the years ended 2008 and 2007 were as follows:

	PENSION		OTHER BENEFITS	
	2008	2007	2008	2007
Change in benefit obligation				
Benefit obligation at beginning of year	\$ 5,380.7	\$ 5,173.7	\$ 740.9	\$ 723.1
Service cost	98.9	97.8	7.5	7.6
Interest cost	324.7	297.4	41.9	41.9
Amendments made during the year/other	3.5	12.4	(2.4)	-
Actuarial (gain) loss	(9.9)	(147.6)	(36.6)	5.4
Benefits paid	(359.6)	(327.1)	(48.7)	(44.7)
Liabilities assumed through acquisition/other	-	228.7	-	7.6
Effect of currency translation	(115.1)	45.4	-	-
Benefit obligation at end of year	\$ 5,323.0	\$ 5,380.7	\$ 702.7	\$ 740.9
Change in plan assets				
Fair value of plan assets at beginning of year	\$ 5,653.5	\$ 5,051.9	\$ 310.6	\$ 283.7
Actual return on plan assets	(1,654.8)	622.2	(98.6)	31.6
Assets assumed through acquisition/other	-	175.5	-	-
Employer contributions	24.1	83.1	-	-
Employee contributions	3.4	2.9	-	-
Benefits paid	(333.6)	(304.8)	(6.6)	(4.7)
Effect of currency translation	(81.0)	22.7	-	-
Fair value of plan assets at end of year	\$ 3,611.6	\$ 5,653.5	\$ 205.4	\$ 310.6
Funded status at end of year	\$ (1,711.4)	\$ 272.8	\$ (497.3)	\$ (430.3)

Amounts recognized in the Consolidated Balance Sheets as of December 31, 2008 and 2007 consist of:

	PENSION		OTHER BENEFITS	
	2008	2007	2008	2007
Non-current assets	\$ 1.7	\$ 675.6	\$ -	\$ -
Current liabilities	(23.2)	(21.4)	(45.6)	(47.1)
Non-current liabilities	(1,689.9)	(381.4)	(451.7)	(383.2)
	\$ -	\$ 272.8	\$ (497.3)	\$ (430.3)

Amounts recognized in accumulated other comprehensive loss at December 31, 2008 and 2007 consist of:

	PENSION		OTHER BENEFITS	
	2008	2007	2008	2007
Net loss	\$ 2,219.5	\$ 177.6	\$ 200.0	\$ 114.1
Prior service cost	25.6	29.3	6.4	11.7
	\$ 2,245.1	\$ 206.9	\$ 206.4	\$ 125.8

During the fourth quarter of 2008, we recognized a substantial decline in the fair market value of our pension plan assets, contributing a pre-tax charge to other comprehensive loss of \$2,118.8. See the "Fair Value of Plan Assets" section of this footnote for further details related to the method and judgment used to value our pension plan assets.

The estimated net loss and prior service cost that will be amortized from accumulated other comprehensive loss into net periodic benefit cost over the next fiscal year is as follows:

	PENSION		OTHER BENEFITS	
	2008	2007	2008	2007
Net loss	\$41.6			\$15.1
Prior service cost	3.8			3.5

The accumulated benefit obligation for all defined benefit pension plans was \$5,075.4 and \$5,089.4 at December 31, 2008 and 2007, respectively.

Information for pension plans with an accumulated benefit obligation in excess of plan assets:

DECEMBER 31	2008		2007	
Projected benefit obligation	\$	5,139.9	\$	710.4
Accumulated benefit obligation		4,898.2		685.6
Fair value of plan assets		3,426.3		309.5

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

Components of net periodic benefit cost and other amounts recognized in other comprehensive (loss) income for the years 2008, 2007 and 2006, were as follows:

	PENSION			OTHER BENEFITS		
	2008	2007	2006	2008	2007	2006
Net periodic benefit cost						
Service cost	\$ 98.9	\$ 97.8	\$ 98.7	\$ 7.6	\$ 7.6	\$ 8.0
Interest cost	324.7	297.4	284.1	41.9	41.9	39.9
Expected return on plan assets	(445.2)	(399.5)	(375.6)	(27.5)	(25.1)	(22.4)
Amortization of net actuarial loss	17.6	63.3	87.9	3.8	2.4	9.4
Amortization of prior service cost	3.7	2.7	2.7	2.8	5.3	2.3
Total net periodic benefit (income) cost	(0.3)	61.7	97.8	28.6	32.1	37.2
Other changes in plan assets and benefit obligations recognized in other comprehensive (loss) income						
Net loss (gain)	2,059.5	(365.9)	–	89.7	(4.9)	–
Prior service cost (benefit)	–	13.2	–	(2.5)	4.0	–
Amortization of net actuarial loss	(17.6)	(63.3)	–	(3.8)	(2.4)	–
Amortization of prior service cost	(3.7)	(2.7)	–	(2.8)	(5.3)	–
Minimum pension liability income	–	–	(88.9)	–	–	–
Total loss (income) recognized in other comprehensive (loss) income	2,038.2	(418.7)	(88.9)	80.6	(8.5)	–
Total charge/(income) recognized in net periodic benefit cost and other comprehensive (loss) income	\$ 2,037.9	\$ (357.0)	\$ 8.9	\$ 109.2	\$ 23.6	\$ 37.2

Assumptions

Weighted-average assumptions used to determine benefit obligations at December 31:

	PENSION		OTHER BENEFITS	
	2008	2007	2008	2007
Discount rate	6.24%	6.19%	6.25%	6.00%
Rate of future compensation increase	3.97%	4.45%	4.00%	4.50%

Weighted-average assumptions used to determine net periodic benefit cost for the years ended December 31:

	PENSION			OTHER BENEFITS		
	2008	2007	2006	2008	2007	2006
Discount rate	6.19%	5.87%	5.64%	6.00%	6.00%	5.50%
Expected return on plan assets	8.87%	8.87%	8.88%	9.00%	9.00%	9.00%
Rate of future compensation increase	4.45%	4.48%	4.44%	4.50%	4.50%	4.50%

Management develops each assumption using relevant company experience in conjunction with market-related data for each individual country in which such plans exist. All assumptions are reviewed periodically with third party actuarial consultants and adjusted as necessary.

The assumed rate of future increases in the per capita cost of health care (the health care trend rate) is 7.5% for 2009, decreasing ratably to 5.0% in 2016. Increasing the health care trend rates by one percent per year would have the effect of increasing the benefit obligation by \$37.2 and the aggregate service and interest cost components by \$2.9. A decrease of one percent in the health care trend rate would reduce the benefit obligation by \$31.9 and the aggregate service and interest cost components by \$2.4. To the extent that actual experience differs from the inherent assumptions, the effect will be amortized over the average future service of the covered active employees.

The determination of the assumptions shown in the table above and the discussion of health care trend rates are based on the provisions of the applicable accounting pronouncements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

the review of various indices, discussion with our actuaries, and the review of competitive surveys in the geographic areas where the plans are sited. Changes in these assumptions would affect the financial position and results of operations.

Plan Assets

Domestic plan assets held within the ITT Corporation Master Trust, which covers relatively all of the domestic pension plans and the various welfare benefit plan trusts, were as follows:

ASSET CATEGORY	PENSION DECEMBER 31		OTHER BENEFITS DECEMBER 31	
	2008	2007	2008	2007
Equity securities	37.8%	57.7%	42.4%	60.5%
Private equity	31.7	16.5	25.4	12.8
Hedge funds	21.4	16.1	17.1	12.4
Commodities	3.6	4.2	2.9	3.2
Fixed income securities	3.4	3.7	10.1	8.7
Cash and other	2.1	1.8	2.1	2.4
Total	100.0%	100.0%	100.0%	100.0%

The current asset allocation for the domestic pension funds apportions 69.5% to equity market investments, including private equity investments, and 30.5% to fixed income instruments, hedge funds and commodities. The investment in our stock within the U.S. Master Trust approximated 1% in 2008 and 2007.

Fair Value of Plan Assets

Our pension and welfare benefit plans' assets are comprised of a broad range of investments including domestic and foreign securities, private equity and fixed income investments, investments in hedge funds, commodities and cash and cash equivalents. When available, we have valued our investments based on observable market inputs.

Observable inputs are inputs that market participants would use in pricing the investment based on market data obtained from independent sources. These include inputs with quoted prices in active markets, and inputs other than quoted prices in active markets that are either directly or indirectly observable.

Unobservable inputs are inputs that reflect the Company's assumptions about the estimates market participants would use in pricing the investment, based on the best information available in the circumstances. To the extent that valuation is based on inputs that are less observable or unobservable in the market, the determination of the fair value requires more judgment.

A substantial portion of our pension and welfare benefit plans' assets portfolio is comprised of hedge fund and private equity investments. The private equity and a portion of the hedge fund investments do not have directly observable inputs, and as such, require significant judgment to determine fair value. Plan assets are based on year-end fair market values. Absent the timely availability of audited year-end financial statements for investments, from which we derive our allocable portion of each investment's fair value, management has incorporated its own judgment and assumptions to value the investments as of year-end.

See "Critical Accounting Estimates" within Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations, for further employee benefit plan information, including the related estimates, assumptions, uncertainties, and potential financial statement impact from revisions to our estimates.

Contributions

Funding requirements under IRS rules are a major consideration in making contributions to our pension plans. With respect to qualified pension plans, we intend to contribute annually not less than the minimum required by applicable law and regulations. We currently anticipate making contributions to our pension plans in the range of \$20.0 to \$25.0 during 2009, of which \$5.5 is expected to be made in the first quarter.

Estimated Future Benefit Payments

The following benefit payments covering pension and other benefit plans have been projected based on benefits earned to date and the expectation that certain future service will be earned by currently active employees:

	PENSION	OTHER BENEFITS
2009	\$ 338.0	\$ 52.6
2010	344.7	54.1
2011	352.6	55.8
2012	360.3	56.4
2013	369.5	57.1
2014 – 2018	1,985.8	293.2

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

NOTE 17

Stock-Based and Long-Term Incentive Employee Compensation

Stock-based and long-term incentive employee compensation cost reduced consolidated results of operations as follows:

YEAR ENDED DECEMBER 31	2008		2007		2006
Pre-tax compensation cost	\$	55.2	\$	57.9	\$40.2
Future tax benefit	\$	18.2	\$	19.0	\$14.1

Stock Option and Restricted Stock Compensation Plans

Our stock option and restricted share award incentive plans provide for the awarding of options on common shares and restricted common shares to employees and non-employee directors. The options are exercisable in seven or ten-year periods, except in certain instances of death, retirement or disability. Certain options become exercisable upon the earlier of the attainment of specified market price appreciation of our common shares or at six or nine years after the date of grant. Other options become exercisable upon the earlier of the attainment of specified market price appreciation of ITT's common shares or over a three-year period commencing with the date of grant. The exercise price per share is the fair market value of the underlying common stock on the date each option is granted. Restricted shares typically vest three years from the date of grant. ITT makes shares available for the exercise of stock options or the vesting of restricted shares by purchasing shares in the open market or by issuing shares from Treasury.

The ITT Amended and Restated 2003 Equity Incentive Plan ("2003 Equity Incentive Plan") was approved by shareholders and established in May of 2003. This plan provides for the grant of stock options, stock appreciation rights, restricted stock and restricted stock units. The number of shares initially available for awards under this plan was 12.2. As of December 31, 2008, 5.0 shares were available for future grants.

The 2003 Equity Incentive Plan replaced the 2002 ITT Stock Option Plan for Non-Employee Directors, the ITT 1996 Restricted Stock Plan for Non-Employee Directors and the 1994 ITT Incentive Stock Plan on a prospective basis. All awards granted under these prior plans will continue to vest and be exercisable in accordance with their original terms; however, no future grants will be made under these prior plans.

A summary of the status of our stock option and restricted stock shares as of December 31, 2008, 2007 and 2006 and changes during the years then ended is presented below:

	2008		2007		2006	
	SHARES	WEIGHTED-AVERAGE EXERCISE PRICE	SHARES	WEIGHTED-AVERAGE EXERCISE PRICE	SHARES	WEIGHTED-AVERAGE EXERCISE PRICE
STOCK OPTIONS						
Outstanding at beginning of year	8.7	\$ 38.13	10.6	\$ 35.50	13.1	\$ 32.88
Granted	0.6	53.57	0.5	58.52	0.6	52.59
Exercised	(1.0)	32.82	(2.2)	29.92	(2.5)	27.04
Canceled or expired	(0.2)	44.31	(0.2)	42.14	(0.6)	31.45
Outstanding at end of year	8.1	\$ 39.83	8.7	\$ 38.13	10.6	\$ 35.50
Options exercisable at end of year	6.8	\$ 37.02	6.4	\$ 33.83	7.4	\$ 30.62

Restricted shares and restricted stock unit awards were granted during the years ended December 31, 2008, 2007, and 2006 with fair market values based on ITT's stock price on the date of grant and have vesting periods of three years.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

RESTRICTED SHARES/STOCK UNITS	YEAR ENDED DECEMBER 31, 2008			
	UNVESTED		OUTSTANDING	
	AWARDS	WEIGHTED-AVERAGE GRANT DATE FAIR VALUE	AWARDS	WEIGHTED-AVERAGE GRANT DATE FAIR VALUE
Unvested/outstanding at beginning of year	1.1	\$ 52.64	1.3	\$ 50.93
Granted	0.4	53.57	0.4	53.57
Vested/lapsed	(0.2)	47.65	(0.1)	45.76
Canceled or expired	(0.1)	55.89	(0.1)	55.89
Unvested/outstanding at end of year	1.2	\$ 53.75	1.5	\$ 51.96

RESTRICTED SHARES/STOCK UNITS	YEAR ENDED DECEMBER 31, 2007			
	UNVESTED		OUTSTANDING	
	AWARDS	WEIGHTED-AVERAGE GRANT DATE FAIR VALUE	AWARDS	WEIGHTED-AVERAGE GRANT DATE FAIR VALUE
Unvested/outstanding at beginning of year	0.9	\$ 48.45	1.0	\$ 46.87
Granted	0.4	59.16	0.4	59.16
Vested/lapsed	(0.2)	45.89	(0.1)	44.08
Unvested/outstanding at end of year	1.1	\$ 52.64	1.3	\$ 50.93

RESTRICTED SHARES/STOCK UNITS	YEAR ENDED DECEMBER 31, 2006			
	UNVESTED		OUTSTANDING	
	AWARDS	WEIGHTED-AVERAGE GRANT DATE FAIR VALUE	AWARDS	WEIGHTED-AVERAGE GRANT DATE FAIR VALUE
Unvested/outstanding at beginning of year	0.4	\$ 43.00	0.5	\$ 41.03
Granted	0.5	52.62	0.5	52.62
Unvested/outstanding at end of year	0.9	\$ 48.45	1.0	\$ 46.87

The outstanding restricted shares include 0.1 shares issued to non-employee directors in-payment for part of the annual retainer. This cost is expected to be recognized ratably over a weighted average period of 1.5 years.

The intrinsic value of options exercised (which is the amount by which the stock price exceeded the exercise price of the options on the date of exercise) during 2008, 2007 and 2006 was \$29.5, \$70.7 and \$100.8, respectively.

For 2008, the amount of cash received from the exercise of stock options was \$34.4 with an associated tax benefit realized of \$12.1. SFAS 123R requires that we classify as a financing activity the cash flows attributable to excess tax benefits from stock option exercises. Cash provided by operating activities decreased and cash provided by financing activities increased by \$6.7, \$15.0 and \$16.7 for the years ended December 31, 2008, 2007 and 2006, respectively, related to excess tax benefits from stock options and restricted stock.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

The following table summarizes information about ITT's stock options at December 31, 2008:

RANGE OF EXERCISE PRICES	OPTIONS OUTSTANDING					OPTIONS EXERCISABLE			
	NUMBER	WEIGHTED-AVERAGE REMAINING CONTRACTUAL LIFE (IN YEARS)	WEIGHTED-AVERAGE EXERCISE PRICE	AGGREGATE INTRINSIC VALUE	NUMBER	WEIGHTED-AVERAGE REMAINING CONTRACTUAL LIFE (IN YEARS)	WEIGHTED-AVERAGE EXERCISE PRICE	AGGREGATE INTRINSIC VALUE	
\$ 15.44 – 19.78	0.7	1.48	\$ 17.88	\$ 21.0	0.7	1.48	\$ 17.88	\$ 21.0	
25.32 – 26.91	0.7	3.02	25.36	13.6	0.7	3.02	25.36	13.7	
30.91 – 38.74	2.5	4.62	34.63	28.0	2.5	4.62	34.63	28.0	
41.52 – 49.91	2.5	3.43	45.18	2.1	2.5	3.35	45.29	1.8	
50.24 – 57.99	1.6	5.09	54.49	(13.7)	0.4	4.29	54.35	(3.6)	
60.72 – 69.00	0.1	6.03	66.76	(1.0)	–	–	–	–	
	8.1			\$ 50.0	6.8			\$ 60.9	

The aggregate intrinsic value in the preceding table represents the total pre-tax intrinsic value, based on ITT's closing stock price of \$45.99 as of December 31, 2008, which would have been received by the option holders had all option holders exercised their options as of that date. The number of options "out-of-the-money" as of December 31, 2008, included as exercisable in the preceding table was 0.5 million.

As of December 31, 2008, the total number of stock options ITT expects to vest (including those that have already vested) was 8.0 million. These stock options have a weighted-average exercise price of \$39.51, an aggregate intrinsic value of \$61.3, and a weighted-average remaining contractual life of 3.9 years.

At December 31, 2008, there was \$39.8 of total unrecognized compensation cost related to non-vested awards granted under the stock option and restricted stock plans. This cost is expected to be recognized ratably over a weighted-average period of 1.8 years.

The fair value of each option grant was estimated on the date of grant using the binomial lattice pricing model in 2008, 2007 and 2006. The following are weighted-average assumptions for 2008, 2007 and 2006:

	2008	2007	2006
Dividend yield	1.31%	0.96%	0.84%
Expected volatility	28.69%	23.09%	24.07%
Expected life (in years)	4.7	4.8	4.8
Risk-free rates	2.31%	4.39%	4.73%
Weighted-average grant date fair value	\$ 13.46	\$ 14.68	\$ 14.09

Expected volatilities are based on ITT's stock price history, including implied volatilities from traded options on our stock. ITT uses historical data to estimate option exercise and employee termination behavior within the valuation model. Employee groups and option characteristics are considered separately for valuation purposes. The expected life represents an estimate of the period of time options are expected to remain outstanding. The expected life provided above represents the weighted average of expected behavior for certain groups of employees who have historically exhibited different behavior. The risk-free rate is based on the U.S. Treasury yield curve in effect at the time of option grant.

Long-Term Incentive Plan

The ITT 1997 Long-Term Incentive Plan (the "LTIP"), approved by shareholders in 1997, authorizes performance awards to be made to key employees of ITT. The LTIP is considered a liability plan, under the provisions of SFAS 123R. Accordingly, we reassess the fair value of its LTIP awards at the end of each reporting period.

Payment, if any, of target cash awards will be made at the end of the applicable three-year performance period and will be based on ITT's total shareholder return performance measured against the total shareholder return performance of other stocks generally comprising the S&P Industrials Index.

The fair value of each award is calculated on a quarterly basis using Monte Carlo simulations. The three-year volatility of the outstanding awards as of December 31, 2008 was approximately 26%. The number of companies included in the applicable benchmark group range from 300 to 342 for the awards outstanding as of December 31, 2008.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

At December 31, 2008, there was \$20.0 of total unrecognized compensation cost related to non-vested awards granted under the LTIP. This cost is expected to be recognized ratably over a weighted-average period of 1.3 years. The total cash paid to settle the LTIP liability was \$19.3, \$17.6 and \$17.2, during the years ended 2008, 2007 and 2006, respectively.

NOTE 18**Capital Stock**

ITT has authority to issue an aggregate of 550 shares of capital stock, of which 500 shares have been designated as "Common Stock" having a par value of \$1 per share and 50 shares have been designated as "Preferred Stock" not having any par or stated value.

As of December 31, 2008 and 2007, 25.2 and 25.4 shares of Common Stock were held in Treasury, respectively.

NOTE 19**Commitments and Contingencies**

ITT Corporation and its subsidiaries from time to time are involved in legal proceedings that are incidental to the operation of their businesses. Some of these proceedings allege damages relating to environmental liabilities, intellectual property matters, copyright infringement, personal injury claims, employment and pension matters, government contract issues and commercial or contractual disputes, sometimes related to acquisitions or divestitures. ITT will continue to vigorously defend itself against all claims. Although the ultimate outcome of any legal matter cannot be predicted with certainty, based on present information including our assessment of the merits of the particular claim, as well as our current reserves and insurance coverage, we do not expect that such legal proceedings will have any material adverse impact on the cash flow, results of operations, or financial condition of ITT on a consolidated basis in the foreseeable future, unless otherwise noted below.

See "Critical Accounting Estimates" within Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations, for a discussion of contingent liabilities, including the related estimates, assumptions, uncertainties, and potential financial statement impact from revisions to our estimates.

Environmental

In the ordinary course of business, ITT is subject to federal, state, local, and foreign environmental laws and regulations. ITT is responsible, or is alleged to be responsible, for ongoing environmental investigation and remediation of sites in various countries. These sites are in various stages of investigation and/or remediation and in many of these proceedings ITT's liability is considered de minimis. ITT has received notification from the U.S. Environmental Protection Agency, and from similar state and foreign environmental agencies, that a number of sites formerly or currently owned and/or operated by ITT, and other properties impacted from those operations, contain disposed or recycled materials or wastes and require environmental investigation and/or remediation. These sites include instances where ITT has been identified as a potentially responsible party under federal and state environmental laws and regulations.

Accruals for environmental matters are recorded on a site by site basis when it is probable that a liability has been incurred and the amount of the liability can be reasonably estimated, based on current law and existing technologies. ITT's accrued liabilities for these environmental matters represent the best estimates related to the investigation and remediation of environmental media such as water, soil, soil vapor, air and structures, as well as related legal fees. These estimates, and related accruals, are reviewed periodically and updated for progress of investigation and remediation efforts and changes in facts and legal circumstances. Liabilities for these environmental expenditures are recorded on an undiscounted basis.

It is difficult to estimate the final total costs of investigation and remediation due to various factors, including incomplete information regarding particular sites and other potentially responsible parties, uncertainty regarding the extent of investigation or remediation and our share, if any, of liability for such conditions, the selection of alternative remedial approaches, and changes in environmental standards and regulatory requirements. In management's opinion, the total amount accrued is appropriate based on existing facts and circumstances. Management does not anticipate that these liabilities will have a material adverse effect on the consolidated financial position, results of operations or cash flows.

The following table illustrates the activity related to ITT's accrued liabilities for these environmental matters.

	2008	2007
Beginning balance January 1	\$ 124.7	\$ 114.4
Additional accruals attributable to acquisitions in the period	8.1	3.0
Accruals added during the period	0.5	6.2
Change in estimates for pre-existing accruals	19.6	13.0
Payments	(17.9)	(11.9)
Ending balance December 31	\$ 135.0	\$ 124.7

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

The following table illustrates the low- and high-end range of estimated liability, and number of active sites for these environmental matters.

YEAR ENDED DECEMBER 31	2008		2007	
Low-end range	\$	101.2	\$	94.6
High-end range	\$	229.3	\$	213.2
Number of active environmental investigation and remediation sites		102		90

In a suit filed in 1991, in the California Superior Court, Los Angeles County, *ITT Corporation, et al. v. Pacific Indemnity Corporation et al.*, against our insurers, we are seeking recovery of costs incurred in connection with certain environmental liabilities. Discovery, procedural matters, changes in California law, and various appeals have prolonged this case. For several years, the case had been on appeal before the California Court of Appeals from a decision by the California Superior Court dismissing certain claims made by ITT. The dismissed claims were claims where the costs incurred were solely due to administrative (versus judicial) actions. However, in April 2007, the Superior Court vacated its earlier ruling, dismissing the claims based on the California Supreme Court's decision in *Powerine Oil Co. v. Superior Court*. As a result, the Court of Appeals dismissed the appeal as moot. The case is now back before the Superior Court and the parties are engaged in further discovery. During the course of the litigation, we have negotiated settlements with certain defendant insurance companies and are prepared to pursue legal remedies where reasonable negotiations are not productive.

Product Liability and Other Matters

ITT, including its subsidiary Goulds Pumps, Inc. ("Goulds"), has been joined as a defendant with numerous other companies in product liability lawsuits alleging injury due to asbestos. These claims allege that our products sold prior to 1985 contained a part manufactured by a third party, e.g., a gasket, which contained asbestos. The asbestos was encapsulated in the gasket (or other) material and was non-friable. In certain other cases, it is alleged that former ITT companies were distributors for other manufacturers' products that may have contained asbestos.

As of December 31, 2008, there were 103,006 open claims against ITT. Frequently, the plaintiffs are unable to demonstrate any injury or do not identify any ITT or Goulds product as a source of asbestos exposure. During 2008, we resolved 5,894 claims. Most of these claims were dismissed, with settlement on a modest percentage of claims. The average amount of settlement per claim has been nominal.

Additionally, a large majority of all defense and settlement costs have been covered by insurance. Within the past several years, we have negotiated coverage-in-place agreements with our more significant insurance carriers. We are continuing to seek payment for our net exposure to these costs from our other insurers.

Our estimated accrued costs, net of expected insurance recoveries, for the resolution of all of these pending claims were \$27.6 and \$24.8 as of December 31, 2008 and 2007, respectively.

The table below provides additional information regarding asbestos-related claims filed against ITT.

	2008	2007	2006
Open claims – January 1	102,568	110,602	124,122
New claims filed	6,332	4,147	4,482
Claims closed	(5,894)	(12,181)	(18,002)
Open claims – December 31	103,006	102,568	110,602

Although it is impossible to predict the ultimate outcome of current open claims, based on current information, our experience in handling these matters, and our substantial insurance program, we do not believe that these claims will have a material adverse effect on our consolidated financial position, results of operations or cash flows.

While it is probable that we will incur additional costs for claims to be filed in the future, these additional costs are not reasonably estimable at this time. As part of the coverage-in-place agreements, we have assumed the primary responsibility for administering our asbestos-related claims. Prior to these agreements, the asbestos claims were administered and paid by our primary insurance carriers and, as a result, we only have limited information about those claims. We have engaged an outside consultant to construct a comprehensive database of existing claims. The database is expected to provide additional information about the nature of the claims and will allow us to re-assess whether a reasonable estimate of future claims and associated costs can be developed. This effort is anticipated to be completed in the second half of 2009. It is possible that the estimated costs of these future claims, net of expected insurance recoveries, may be material to our results of operations in the period when recorded.

We provide an indemnity to U.S. Silica Company for silica personal injury suits filed prior to September 12, 2005 against our former subsidiary Pennsylvania Glass Sand. ITT sold the stock of Pennsylvania Glass Sand to U.S. Silica Company in

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

1985. Over the past three years, the majority of the silica cases involving PGS have been dismissed without payment. Currently there are less than 4,000 cases pending against PGS. The Company expects that the majority of the remaining cases will also be dismissed. Our indemnity had been paid in part by our historic product liability carrier, however, in September 2005, the carrier communicated to us that it would no longer provide insurance for these claims. On October 4, 2005, we filed a suit against the insurer, *ITT v. Pacific Employers Insurance Co., CA No. 05CV 5223*, seeking defense costs and indemnity from the insurance carrier for Pennsylvania Glass Sand product liabilities. In April 2007, the Court granted our motion for summary judgment on the carrier's duty to defend the silica cases; however, that decision was overturned on appeal. The matter was returned to the Superior Court in part for determination of several factual issues. We will continue to seek past and future defense costs for these cases from this carrier. We believe that these matters will not have a material adverse effect on our consolidated financial position, results of operations or cash flows. All silica-related costs, net of insurance recoveries, are shared pursuant to the Distribution Agreement. See "BUSINESS – Company History and Certain Relationships" for a description of the Distribution Agreement.

On October 25, 2006, Fencourt Reinsurance Company ("Fencourt"), a subsidiary of The Hartford, filed a contribution claim against ITT for losses incurred by Fencourt as a result of a reinsurance contract obligation it owes to Century Indemnity Company, *Fencourt Reinsurance Co., Ltd. v. ITT Industries, Inc. (C.A. No. 06-4786 U.S. D.Ct E.D.PA)*. Century Indemnity Company was an insurer of ITT's Domestic Casualty Program from 1978 through 1992. Fencourt, formed in 1978, was a captive insurer of the predecessor ITT Corporation and provided reinsurance to Century for certain ITT self-insured losses. Fencourt was transferred to The Hartford in the demerger of ITT in 1995. This matter is covered by the 1995 Distribution Agreement (See "BUSINESS – Company History and Certain Relationships") and that agreement contains clear language that The Hartford agreed to assume the liabilities of Fencourt and indemnify ITT against all claims against Fencourt. The case is stayed pending the resolution of an arbitration proceeding pending before the American Arbitration Association in New Jersey. On January 20, 2009, the arbitrator issued a favorable decision that ITT is not liable for the losses incurred by Fencourt. The parties are reviewing the case to determine what other matters remain to be decided by the arbitrator. Management believes that this matter will not have a material adverse effect on our consolidated financial position, results of operations or cash flows.

In December 2005, the Company received an anonymous complaint regarding the possible payment of commissions to foreign government officials by employees of our Nanjing Goulds Pumps company, in Nanjing, China. Such commission payments may violate the Foreign Corrupt Practices Act. The Company conducted an investigation utilizing internal and external resources and voluntarily disclosed the results of the investigation to the United States Department of Justice and the SEC. On February 11, 2009, the Company entered into a settlement with the SEC in which the Company, without admitting or denying liability, has agreed to pay \$1.7 million in total related to disgorged profits, prejudgment interest and a civil penalty. The settlement also restrains and enjoins the Company from violating Sections 13(b)(2)(A and B) of the Securities and Exchange Act of 1934.

On March 27, 2007, we reached a settlement relating to an investigation of our ITT Night Vision Division's compliance with the International Traffic in Arms Regulations ("ITAR") pursuant to which we pled guilty to two violations based on the export of defense articles without a license and the omission of material facts in required export reports. The Company was assessed a total of \$50.0 million in fines, forfeitures and penalties, which was accrued for fully as of December 31, 2006. We also entered into a Deferred Prosecution Agreement with the U.S. Government which deferred action regarding a third count of violations related to ITAR pending our implementation of a remedial action plan, including the appointment of an independent monitor. ITT was also assessed a deferred prosecution monetary penalty of \$50.0 million which ITT will reduce for monies spent over the five years following the date of the Plea Agreement, to accelerate and further the development and fielding of advanced night vision technology. On October 11, 2007, ITT and the Department of Defense finalized an Administrative Compliance Agreement wherein we agreed to take certain remedial actions including implementing compliance programs and appointing an independent monitor for the oversight of our compliance programs. On December 28, 2007, we finalized a Consent Agreement with the Department of State wherein we agreed to undertake certain remedial actions, including appointment of a Special Compliance Official. The Company continues to perform under the terms of the agreements. Management believes that these matters will not have a material adverse effect on our consolidated financial position, results of operations or cash flows.

On April 17, 2007, ITT's Board of Directors received a letter on behalf of a shareholder requesting that the Board take appropriate action against the employees responsible for the violations at our Night Vision facility described above, which were disclosed on Form 8-K filed on March 30, 2007. The Board

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

of Directors appointed a Special Litigation Committee to evaluate the request. The Special Litigation Committee conducted an investigation with the assistance of independent counsel and concluded that no legal actions should be brought by ITT.

During 2007 and 2008, the Company received notice of four shareholder derivative actions each filed in the U.S. District Court for the Southern District of New York, known variously as, *Sylvia Piven trustee under trust agreement dated April 3, 1973 f/b/o Sylvia B. Piven, derivatively on behalf of ITT Corporation v. Steve Loranger et al. and ITT Corporation* (the "Piven" action), *Norman Levy, derivatively on behalf of ITT Industries, Inc. v. Steven R. Loranger et al. and ITT Industries, Inc.*, *Anthony Reale v. Steven R. Loranger et al. and ITT Company [sic]*, and *Robert Wilkinson v. Steven R. Loranger et al. and ITT Corporation*. Each case alleges that the ITT's Board of Directors breached their fiduciary duties by failing to properly oversee ITT's compliance programs at its Night Vision business. The Complaints seeks compensatory and punitive damages for ITT from its Directors, the removal of the Directors, and the election of new directors. The four cases were consolidated into one action *In Re ITT Corporation Derivative Litigation*, CA No. 07-CV-2878 (CLB). On motion by the Company, the Piven action was dismissed for lack of diversity. On April 10, 2008, the Court denied Company's Motion to Dismiss the consolidated Complaint. ITT filed a Motion for Reconsideration and on November 25, 2008, the Court granted the Motion and dismissed the matter without prejudice. The Court provided the plaintiffs the opportunity to refile the case upon the development of certain additional facts. The plaintiffs refiled the case on December 23, 2008. The Company has filed another Motion to Dismiss which is currently before the Court. The Defendants have also filed a Motion to Dismiss based on the Special Litigation Committee's report referenced above which is also currently before the Court. Management believes that these derivative suits will not have a material adverse effect on our consolidated financial position, results of operations or cash flows.

NOTE 20

Guarantees, Indemnities and Warranties

Guarantees & Indemnities

Since ITT's incorporation in 1920, we have acquired and disposed of numerous entities. The related acquisition and disposition agreements contain various representation and warranty clauses and may provide indemnities for a misrepresentation or breach of the representations and warranties by either party. The indemnities address a variety of subjects; the term and monetary amounts of each such indemnity are defined in the specific agreements and may be affected by various conditions and external factors. Many of the indemnities have expired either by operation of law or as a result of the terms of the agreement. We do not have a liability recorded for the historic indemnifications and are not aware of any claims or other information that would give rise to material payments under such indemnities.

In December of 2007, we entered into a sale leaseback type agreement for our corporate aircraft, with the aircraft leased back under a five-year operating lease. We have provided, under the lease, a residual value guarantee to the counterparty in the amount of \$50.2, which is the maximum amount of undiscounted future payments. We would have to make payments under the residual value guarantee only if the fair value of the aircraft was less than the residual value guarantee upon termination of the agreement. At December 31, 2008, the projected fair value of the aircraft at the end of the lease is estimated to be \$2.4 less than the residual value guarantee. Since this estimated loss does not exceed the \$5.4 gain we realized from the sale of the aircraft but deferred as a loss contingency for the residual value guarantee, we have not recorded any additional accrual in our financial statements.

ITT has a number of individually immaterial guarantees outstanding at December 31, 2008, that may be affected by various conditions and external forces, some of which could require that payments be made under such guarantees. We do not believe these payments will have any material adverse impact on the financial position, results of operations or cash flow on a consolidated basis in the foreseeable future.

Product Warranties

ITT warrants numerous products, the terms of which vary widely. In general, ITT warrants its products against defect and specific non-performance. In the automotive businesses, liability for product defects could extend beyond the selling price of the product and could be significant if the defect shuts down production or results in a recall. Changes in product warranty accruals for December 31, 2008 and 2007 were as follows:

	2008	2007
Beginning balance January 1	\$ 52.1	\$ 46.8
Accruals for product warranties issued in the period	38.0	30.5
Changes in pre-existing warranties, including changes in estimates and foreign currency translation adjustments	(1.9)	(2.1)
Payments	(30.8)	(23.1)
Ending balance December 31	\$ 57.4	\$ 52.1

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

NOTE 21

Business Segment Information

	DEFENSE ELECTRONICS & SERVICES	FLUID TECHNOLOGY	MOTION & FLOW CONTROL	CORPORATE AND OTHER	ELIMINATIONS	TOTAL
2008						
Product sales	\$ 3,924.9	\$ 3,692.7	\$ 1,575.1	\$ -	\$ (11.5)	\$ 9,181.2
Service revenues	2,357.4	147.9	8.3	-	-	2,513.6
Total sales and revenues	6,282.3	3,840.6	1,583.4	-	(11.5)	11,694.8
Operating income (loss)	727.0	468.7	191.7	(177.3)	-	1,210.1
Plant, property and equipment, net	369.3	372.3	229.1	23.2	-	993.9
Total assets	4,464.5	2,878.3	1,357.8	1,779.6	-	10,480.2
Additions to plant, property and equipment	88.0	80.5	63.7	16.5	-	248.7
Depreciation	65.8	63.0	48.7	2.1	-	179.6
Amortization	85.2	6.4	7.3	(0.2)	-	98.7
2007						
Product sales	\$ 2,381.7	\$ 3,358.2	\$ 1,332.1	\$ -	\$ (14.5)	\$ 7,057.5
Service revenues	1,794.5	150.9	0.4	-	-	1,945.8
Total sales and revenues	4,176.2	3,509.1	1,332.5	-	(14.5)	9,003.3
Operating income (loss)	502.7	432.7	187.4	(145.6)	-	977.2
Plant, property and equipment, net	353.5	394.8	224.9	7.1	-	980.3
Total assets	4,466.2	3,106.4	1,364.5	2,615.6	-	11,552.7
Additions to plant, property and equipment	57.7	88.6	45.2	47.8	-	239.3
Depreciation	48.4	61.1	44.6	1.4	-	155.5
Amortization	20.7	6.1	2.9	0.2	-	29.9
2006						
Product sales	\$ 2,183.9	\$ 2,935.7	\$ 1,092.9	\$ -	\$ (14.4)	\$ 6,198.1
Service revenues	1,475.4	134.4	-	-	-	1,609.8
Total sales and revenues	3,659.3	3,070.1	1,092.9	-	(14.4)	7,807.9
Operating income (loss)	404.3	370.6	149.7	(123.6)	-	801.0
Plant, property and equipment, net	281.4	361.1	185.1	5.4	-	833.0
Total assets	2,052.3	2,846.9	860.3	1,641.1	-	7,400.6
Additions to plant, property and equipment	60.9	67.2	44.3	4.7	-	177.1
Depreciation	45.2	59.3	39.0	1.4	-	144.9
Amortization	19.7	7.1	0.1	(0.2)	-	26.7

	SALES AND REVENUES*			PLANT, PROPERTY AND EQUIPMENT, NET		
	YEAR ENDED DECEMBER 31			DECEMBER 31		
	2008	2007	2006	2008	2007	2006
Geographical Information						
United States	\$ 7,998.0	\$ 5,814.3	\$ 5,041.2	\$ 581.4	\$ 557.5	\$ 458.1
Western Europe	2,098.3	1,896.4	1,683.9	313.7	337.1	317.3
Asia Pacific	603.6	474.4	411.2	64.5	58.3	31.1
Other	994.9	818.2	671.6	34.3	27.4	26.5
Total Segments	\$ 11,694.8	\$ 9,003.3	\$ 7,807.9	\$ 993.9	\$ 980.3	\$ 833.0

* Sales and revenues to external customers are attributed to individual regions based upon the destination of product or service delivery.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

Sales and revenues by product category, net of intercompany balances, are as follows:

YEAR ENDED DECEMBER 31	2008		2007		2006	
Pumps & Complementary Products	\$	3,840.3	\$	3,508.9	\$	3,070.1
Defense Products		3,923.6		2,380.1		2,182.5
Defense Services		2,357.4		1,794.5		1,475.4
Connectors		444.6		417.1		370.1
Flow Control		382.0		243.5		205.4
Friction Materials		447.8		393.4		318.4
Marine Products		185.7		121.5		98.7
Shock Absorbers		113.4		144.3		87.3
Total	\$	11,694.8	\$	9,003.3	\$	7,807.9

The Defense Electronics & Services business segment had sales and revenues from the United States Government of \$5,893.8, \$3,920.3 and \$3,244.0, for 2008, 2007 and 2006, respectively. Apart from the United States Government, no other government or commercial customer accounted for 10% or more of sales and revenues.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

NOTE 22

Quarterly Results for 2008 and 2007 (Unaudited)

THREE MONTHS ENDED	MAR. 31	JUNE 30	SEPT. 30	DEC. 31	FULL YEAR
2008					
Sales and revenues	\$ 2,806.4	\$ 3,064.1	\$ 2,879.3	\$ 2,945.0	\$ 11,694.8
Gross profit	760.9	867.1	810.7	816.7	3,255.4
Income from continuing operations	170.9	224.3	204.5	175.5	775.2
Net income	171.9	221.0	216.3	185.5	794.7
Income from continuing operations per share					
– Basic	\$ 0.94	\$ 1.24	\$ 1.13	\$ 0.97	\$ 4.29
– Diluted	\$ 0.93	\$ 1.22	\$ 1.11	\$ 0.96	\$ 4.23
Net income per share					
– Basic	\$ 0.95	\$ 1.22	\$ 1.20	\$ 1.03	\$ 4.40
– Diluted	\$ 0.94	\$ 1.20	\$ 1.18	\$ 1.02	\$ 4.33
Common stock information price per share range:					
High	\$ 66.01	\$ 67.62	\$ 69.73	\$ 56.15	\$ 69.73
Low	\$ 50.94	\$ 52.05	\$ 52.25	\$ 34.75	\$ 34.75
Close	\$ 51.81	\$ 63.33	\$ 55.61	\$ 45.99	\$ 45.99
Dividends per share	\$ 0.175	\$ 0.175	\$ 0.175	\$ 0.175	\$ 0.70
2007					
Sales and revenues	\$ 2,070.3	\$ 2,223.1	\$ 2,181.2	\$ 2,528.7	\$ 9,003.3
Gross profit	584.2	642.4	641.1	700.6	2,568.3
Income from continuing operations	136.8	199.2	168.6	128.4	633.0
Net income	140.0	213.7	230.1	158.3	742.1
Income from continuing operations per share					
– Basic	\$ 0.75	\$ 1.11	\$ 0.94	\$ 0.71	\$ 3.51
– Diluted	\$ 0.74	\$ 1.08	\$ 0.92	\$ 0.70	\$ 3.44
Net income per share					
– Basic	\$ 0.77	\$ 1.19	\$ 1.28	\$ 0.88	\$ 4.11
– Diluted	\$ 0.76	\$ 1.16	\$ 1.25	\$ 0.86	\$ 4.03
Common stock information price per share range:					
High	\$ 62.33	\$ 70.44	\$ 73.44	\$ 69.96	\$ 73.44
Low	\$ 56.30	\$ 60.02	\$ 58.09	\$ 60.05	\$ 56.30
Close	\$ 60.32	\$ 68.28	\$ 67.93	\$ 66.04	\$ 66.04
Dividends per share	\$ 0.14	\$ 0.14	\$ 0.14	\$ 0.14	\$ 0.56

The above table reflects the range of market prices of ITT's common stock for 2008 and 2007. The prices are as reported in the consolidated transaction reporting system of the New York Stock Exchange, the principal market in which ITT's common stock is traded, under the symbol "ITT." Our common stock is listed on the New York and Euronext exchanges.

During the period from January 1, 2009 through January 31, 2009, the high and low reported market prices of ITT's common stock were \$50.80 and \$44.36, respectively. ITT declared dividends of \$0.2125 per common share in the first quarter of 2009. There were 21,381 holders of record of ITT's common stock on January 31, 2009.

EXHIBIT INDEX

EXHIBIT NUMBER	DESCRIPTION	LOCATION
(3)	(a) ITT Corporation's Articles of Amendment of the Restated Articles of Incorporation, effective as of May 13, 2008 (b) ITT Corporation's By-laws, as amended May 13, 2008	Incorporated by reference to Exhibit 3.1 of ITT Corporation's Form 8-K Current Report dated May 14, 2008 (CIK No. 216228, File No. 1-5672). Incorporated by reference to Exhibit 3.2 of ITT Corporation's Form 8-K Current Report dated May 14, 2008 (CIK No. 216228, File No. 1-5672).
(4)	Instruments defining the rights of security holders, including indentures	Not required to be filed. The Registrant hereby agrees to file with the Commission a copy of any instrument defining the rights of holders of long-term debt of the Registrant and its consolidated subsidiaries upon request of the Commission.
(10)	Material contracts	
(10.1)*	Separation Agreement between Nicholas P. Hill and ITT Corporation dated February 20, 2009	Attached.
(10.2)*	Employment Agreement dated as of June 28, 2004 between ITT Industries, Inc. and Steven R. Loranger (amended as of December 18, 2008).	Incorporated by reference to Exhibit 99.1 of ITT Corporation's Form 8-K dated December 19, 2008. (CIK No. 216228, File No. 1-5672).
(10.3)*	Form of Non-Qualified Stock Option Award Agreement for Band A Employees	Incorporated by reference to Exhibit 10.3 of ITT Industries' Form 10-K for the year ended December 31, 2004 (CIK No. 216228, File No. 1-5672).
(10.4)*	Form of Non-Qualified Stock Option Award Agreement for Band B Employees	Incorporated by reference to Exhibit 10.4 of ITT Industries' Form 10-K for the year ended December 31, 2004 (CIK No. 216228, File No. 1-5672).
(10.5)*	ITT 2003 Equity Incentive Plan, amended and restated as of February 15, 2008 and approved by shareholders on May 13, 2008 (previously amended and restated as of July 13, 2004 and subsequently amended as of December 18, 2006) and previously known as ITT Industries, Inc. 2003 Equity Incentive Plan	Incorporated by reference to Exhibit 10.5 of ITT Corporation's Form 10-Q for the quarter ended June 30, 2008 (CIK No. 216228, File No. 1-5672).
(10.6)*	ITT Corporation 1997 Long-Term Incentive Plan, amended and restated as of February 15, 2008 and approved by shareholders on May 13, 2008 (previously amended and restated as of July 13, 2004) and formerly known as ITT Industries, Inc. 1997 Long-Term Incentive Plan	Incorporated by reference to Exhibit 10.6 of ITT Corporation's Form 10-Q for the quarter ended June 30, 2008 (CIK No. 216228, File No. 1-5672).
(10.7)*	ITT Corporation Annual Incentive Plan for Executive Officers, amended and restated as of February 15, 2008 and approved by shareholders on May 13, 2008 previously known as 1997 Annual Incentive Plan for Executive Officers (amended and restated as of July 13, 2004) and also previously known as ITT Industries, Inc. 1997 Annual Incentive Plan for Executive Officers (amended and restated as of July 13, 2004)	Incorporated by reference to Exhibit 10.7 of ITT Corporation's Form 10-Q for the quarter ended June 30, 2008 (CIK No. 216228, File No. 1-5672).
(10.8)*	1994 ITT Incentive Stock Plan (amended and restated as of July 13, 2004 and subsequently amended as of December 19, 2006) formerly known as 1994 ITT Industries Incentive Stock Plan (amended and restated as of July 13, 2004)	Incorporated by reference to Exhibit 10.8 of ITT Corporation's Form 10-K for the year ended December 31, 2006 (CIK No. 216228, File No. 1-5672).
(10.9)*	ITT Corporation Special Senior Executive Severance Pay Plan amended and restated as of December 31, 2008 (previously amended and restated as of July 13, 2004) and formerly known as ITT Industries Special Senior Executive Severance Pay Plan	Attached.
(10.10)*	ITT 1996 Restricted Stock Plan for Non-Employee Directors (amended and restated as of July 13, 2004 and subsequently amended as of December 19, 2006) formerly known as ITT Industries 1996 Restricted Stock Plan for Non-Employee Directors (amended and restated as of July 13, 2004)	Incorporated by reference to Exhibit 10.10 of ITT Corporation's Form 10-K for the year ended December 31, 2006 (CIK No. 216228, File No. 1-5672).
(10.11)*	ITT Corporation Enhanced Severance Pay Plan (amended and restated as of July 13, 2004) and formerly known as ITT Industries Enhanced Severance Pay Plan (amended and restated as of July 13, 2004). Amended and restated as of December 31, 2008.	Attached.

EXHIBIT NUMBER	DESCRIPTION	LOCATION
(10.12)*	ITT Deferred Compensation Plan (Effective as of January 1, 1995 including amendments through July 13, 2004) formerly known as ITT Industries Deferred Compensation Plan (Effective as of January 1, 1995 including amendments through July 13, 2004). Amended and restated as of December 31, 2008.	Attached.
(10.13)*	ITT 1997 Annual Incentive Plan (amended and restated as of July 13, 2004) formerly known as ITT Industries 1997 Annual Incentive Plan (amended and restated as of July 13, 2004)	Incorporated by reference to Exhibit 10.12 of ITT Industries' Form 10-Q for the quarter ended September 30, 2004 (CIK No. 216228, File No. 1-5672).
(10.14)*	ITT Excess Pension Plan IA formerly known as ITT Industries Excess Pension Plan IA. Originally effective as of July 1, 1975. Amended and restated as of December 31, 2008.	Attached.
(10.15)*	ITT Excess Pension Plan IB formerly known as ITT Industries Excess Pension Plan IB. Originally effective as of January 1, 1996. Amended and restated as of December 31, 2008.	Attached.
(10.16)*	ITT Excess Pension Plan IIA formally known as ITT Excess Pension Plan II, and ITT Industries Excess Pension Plan II (as amended and restated as of July 13, 2004) originally effective as of January 1, 1988. Amended and restated as of December 31, 2008.	Attached.
(10.17)*	ITT Excess Savings Plan (as amended and restated as of July 13, 2004) formerly known as ITT Industries Excess Savings Plan (as amended and restated as of July 13, 2004). Amended and restated effective December 31, 2008.	Attached.
(10.18)*	ITT Industries Excess Benefit Trust	Incorporated by reference to Exhibit 10.17 of ITT Industries' Form 10-Q for the quarter ended September 30, 2004 (CIK No. 216228, File No. 1-5672).
(10.19)	Form of indemnification agreement with directors	Incorporated by reference to Exhibit 10(h) to ITT Industries' Form 10-K for the fiscal year ended December 31, 1996 (CIK No. 216228, File No. 1-5672).
(10.20)	Distribution Agreement among ITT Corporation, ITT Destinations, Inc. and ITT Hartford Group, Inc.	Incorporated by reference to Exhibit 10.1 listed under ITT Industries' Form 8-B dated December 20, 1995 (CIK No. 216228, File No. 1-5672).
(10.21)	Intellectual Property License Agreement between and among ITT Corporation, ITT Destinations, Inc. and ITT Hartford Group, Inc.	Incorporated by reference to Exhibit 10.2 to ITT Industries' Form 8-B dated December 20, 1995 (CIK No. 216228, File No. 1-5672).
(10.22)	Tax Allocation Agreement among ITT Corporation, ITT Destinations, Inc. and ITT Hartford Group, Inc.	Incorporated by reference to Exhibit 10.3 to ITT Industries' Form 8-B dated December 20, 1995 (CIK No. 216228, File No. 1-5672).
(10.23)	Employee Benefit Services and Liability Agreement among ITT Corporation, ITT Destinations, Inc. and ITT Hartford Group, Inc.	Incorporated by reference to Exhibit 10.7 to ITT Industries' Form 8-B dated December 20, 1995 (CIK No. 216228, File No. 1-5672).
(10.24)	Five-year Competitive Advance and Revolving Credit Facility Agreement dated as of November 10, 2005	Incorporated by reference to Exhibit 10.1 to ITT Industries' Form 8-K Current Report dated November 10, 2005 (CIK No. 216228, File No. 1-5672).
(10.25)	Agreement with Valeo SA with respect to the sale of the Automotive Electrical Systems Business	Incorporated by reference to Exhibit 10(b) to ITT Industries' Form 10-Q Quarterly Report for the quarterly period ended September 30, 1998 (CIK No. 216228, File No. 1-5672).
(10.26)	Agreement with Continental AG with respect to the sale of the Automotive Brakes and Chassis Business	Incorporated by reference to Exhibit 2.1 to ITT Industries' Form 8-K Current Report dated October 13, 1998 (CIK No. 216228, File No. 1-5672).
(10.27)	Participation Agreement among ITT Industries, Rexus L.L.C. (Rexus) and Air Bail S.A.S. and RBS Lombard, Inc., as investors, and master lease agreement, lease supplements and related agreements between Rexus as lessor and ITT Industries, as lessee	Incorporated by Reference to Exhibits listed under Item 9.01 to ITT Industries Form 8-K Current Report dated December 20, 2004 (CIK No. 216228, File No. 1-5672).
(10.28)*	Form of Restricted Stock Award for Non-Employee Directors	Incorporated by reference to Exhibit 10.28 of ITT Industries' Form 10-Q for the quarter ended September 30, 2005 (CIK No. 216228, File No. 1-5672).

EXHIBIT NUMBER	DESCRIPTION	LOCATION
(10.29)*	Form of Restricted Stock Award for Employees	Incorporated by reference to Exhibit 10.29 of ITT Industries' Form 10-Q for the quarter ended September 30, 2005 (CIK No. 216228, File No. 1-5672).
(10.30)	Amended and Restated 364-day Revolving Credit Agreement	Incorporated by reference to Exhibits 10.1 and 10.2 to ITT Industries' Form 8-K dated March 28, 2005 (CIK No. 216228, File No. 1-5672).
(10.31)*	Transition Memorandum and Separation Agreement dated February 23, 2009 between Vincent A. Maffeo and ITT Corporation	Attached.
(10.32)*	ITT Corporation Senior Executive Severance Pay Plan. (previously known as the ITT Industries, Inc. Senior Executive Severance Pay Plan, dated December 20, 1995, amended and restated as of December 31, 2008)	Attached.
(10.33)	Non-Employee Director Compensation Agreement	Incorporated by reference to Exhibit 10.1 to ITT Industries' Form 8-K Current Report dated December 1, 2005 (CIK No. 216228, File No. 1-5672).
(10.34)*	Form of 2006 Non-Qualified Stock Option Award Agreement for Band A Employees	Incorporated by reference to Exhibit 10.34 of ITT Industries' Form 10-Q for the quarter ended March 31, 2006 (CIK No. 216228, File No. 1-5672).
(10.35)*	Form of 2006 Non-Qualified Stock Option Award Agreement for Band B Employees	Incorporated by reference to Exhibit 10.35 of ITT Industries' Form 10-Q for the quarter ended March 31, 2006 (CIK No. 216228, File No. 1-5672).
(10.36)*	Form of 2006 Restricted Stock Award Agreement for Employees	Incorporated by reference to Exhibit 10.36 of ITT Industries' Form 10-Q for the quarter ended March 31, 2006 (CIK No. 216228, File No. 1-5672).
(10.37)	Form of 2006 Non-Qualified Stock Option Award Agreement for Non-Employee Directors	Incorporated by reference to Exhibit 10.37 of ITT Industries' Form 10-Q for the quarter ended March 31, 2006 (CIK No. 216228, File No. 1-5672).
(10.38)	2002 ITT Stock Option Plan for Non-Employee Directors formerly known as the 2002 ITT Industries, Inc. Stock Option Plan for Non-Employee Directors (as amended on December 19, 2006)	Incorporated by reference to Exhibit 10.38 of ITT Corporation's Form 10-K for the year ended December 31, 2006 (CIK No. 216228, File No. 1-5672).
(10.39)*	Employment Agreement dated as of May 21, 2007 and effective as of July 1, 2007 between ITT Corporation and Denise L. Ramos	Incorporated by reference to Exhibit 99.1 to ITT Corporation Form 8-K dated July 2, 2007 (CIK No. 216228, File No. 1-5672).
(10.40)*	Separation Memorandum dated July 10, 2007 and effective as of July 18, 2007 between ITT Corporation and George E. Minnich	Incorporated by reference to Exhibit 10.1 to ITT Corporation Form 8-K Current Report dated July 19, 2007 (CIK No. 216228, File No. 1-5672).
(10.41)	Agreement and Plan of Merger	Incorporated by reference to Exhibit 2.1 and 2.2 to ITT Corporation's Form 8-K dated September 18, 2007 (CIK No. 216228, File No. 1-5672).
(10.42)	Accession Agreement to Five-Year Competitive Advance and Revolving Credit Facility	Incorporated by reference to Exhibit 2.03 to ITT Corporation's Form 8-K dated November 8, 2007 (CIK No. 216228, File No. 1-5672).
(10.43)	Summary of material terms of amendments to ITT Excess Pension Plan 1A and the ITT Excess Pension Plan 1B, the ITT Excess Pension Plan II, the ITT Excess Savings Plan, the ITT Deferred Compensation Plan and the severance plans and policies of the Company and its subsidiaries and other affiliates	Incorporated by reference to Exhibit 5.02 to ITT Corporation's Form 8-K dated December 19, 2007 (CIK No. 216228, File No. 1-5672).
(10.44)	Reserved	
(10.45)	Issuance of Commercial Paper	Incorporated by Reference to Exhibit 2.03 to ITT Corporation's Form 8-K dated December 20, 2007 (CIK No. 216228, File No. 1-5672).
(10.46)	ITT Corporation 2003 Equity Incentive Plan Restricted Stock Unit Award Agreement – Non-Employee Director	Incorporated by reference to Exhibit 10.46 of ITT Corporation's Form 10-Q for the quarter ended June 30, 2008 (CIK No. 216228, File No. 1-5672).

EXHIBIT NUMBER	DESCRIPTION	LOCATION
(10.47)	ITT Corporation 2003 Equity Incentive Plan Director Restricted Stock Unit Award Deferral Election Form	Incorporated by reference to Exhibit 10.47 of ITT Corporation's Form 10-Q for the quarter ended June 30, 2008 (CIK No. 216228, File No. 1-5672).
(10.48)	ITT Corporation Deferred Compensation Plan for Non-Employee Directors	Incorporated by reference to Exhibit 10.48 of ITT Corporation's Form 10-Q for the quarter ended September 30, 2008 (CIK No. 216228, File No. 1-5672).
(10.49)	ITT Corporation Deferred Compensation Plan for Non-Employee Directors Deferral Election Form for those Directors without a Specified Distribution Date for Non-Grandfathered Deferrals	Incorporated by reference to Exhibit 10.49 of ITT Corporation's Form 10-Q for the quarter ended September 30, 2008 (CIK No. 216228, File No. 1-5672).
(10.50)	ITT Corporation Deferred Compensation Plan for Non-Employee Directors Deferral Election Form for those Directors with a Specified Distribution Date for Non-Grandfathered Deferrals	Incorporated by reference to Exhibit 10.50 of ITT Corporation's Form 10-Q for the quarter ended September 30, 2008 (CIK No. 216228, File No. 1-5672).
(10.51)	ITT Corporation Deferred Compensation Plan for Non-Employee Directors Subsequent Election Form	Incorporated by reference to Exhibit 10.51 of ITT Corporation's Form 10-Q for the quarter ended September 30, 2008 (CIK No. 216228, File No. 1-5672).
(10.52)	ITT 2003 Equity Incentive Plan Director Restricted Stock Unit Award Deferral Election Form	Incorporated by reference to Exhibit 10.52 of ITT Corporation's Form 10-Q for the quarter ended September 30, 2008 (CIK No. 216228, File No. 1-5672).
(10.53)	ITT Corporation Non-Employee Director Deferred Restricted Stock Unit Award Subsequent Election Form	Attached.
(10.54)	ITT Director Consent Letter – Required Modifications to Prior Annual Retainer Deferrals	Attached.
(10.55)*	ITT Excess Pension Plan IIB. Effective as of January 1, 1988. As Amended and Restated as of December 31, 2008.	Attached.
(11)	Statement re computation of per share earnings	Not required to be filed.
(12)	Statement re computation of ratios	Filed herewith.
(18)	Letter re change in accounting principles	Incorporated by reference to Exhibit 18 of ITT Corporation's Form 10-Q for the quarter ended September 30, 2006 (CIK No. 216228, File No. 1-5672).
(21)	Subsidiaries of the Registrant	Filed herewith.
(22)	Published report regarding matters submitted to vote of security holders	Not required to be filed.
(23.1)	Consent of Deloitte & Touche LLP	Filed herewith.
(24)	Power of attorney	None
(31.1)	Certification pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	Filed herewith.
(31.2)	Certification pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	Filed herewith.
(32.1)	Certification Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	This Exhibit is intended to be furnished in accordance with Regulation S-K Item 601(b) (32) (ii) and shall not be deemed to be filed for purposes of Section 18 of the Securities Exchange Act of 1934 or incorporated by reference into any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934, except as shall be expressly set forth by specific reference.
(32.2)	Certification Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	This Exhibit is intended to be furnished in accordance with Regulation S-K Item 601(b) (32) (ii) and shall not be deemed to be filed for purposes of Section 18 of the Securities Exchange Act of 1934 or incorporated by reference into any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934, except as shall be expressly set forth by specific reference.

EXHIBIT NUMBER	DESCRIPTION	LOCATION
(99.1)	Deferred Prosecution Agreement filed March 28, 2007 between ITT Corporation and the United States Attorney's Office for the Western District of Virginia	Incorporated by reference to Exhibit 99.4 of ITT Corporation's Form 8-K dated March 30, 2007 (CIK No. 216228, File No. 1-5672).
(99.2)	Administrative Compliance Agreement filed October 11, 2007 between ITT Corporation and The United States Agency (Suspensions' Department Affiliate for the U.S. Army) on behalf of the U.S. Government	Incorporated by reference to Exhibit 99.1 of ITT Corporation's Form 8-K dated October 12, 2007 (CIK No. 216228, File No. 1-5672).

* Management compensatory plan

Personal and Confidential

Date: February 20, 2009

To: Nicholas P. Hill — Senior Vice President — ITT Corporation and President Motion and Flow Control

From: Scott A. Crum, Senior Vice President and Director Human Resources - - ITT Corporation

Subject: Separation Memorandum

The purpose of this Separation Memorandum (the "Memorandum") is to confirm our understanding regarding your severance arrangements and separation from employment from ITT Corporation and its affiliates (ITT) as set forth in this Memorandum and under the terms of the ITT Senior Executive Severance Pay Plan (the "Senior Plan"). We agree that the terms of this Memorandum will be reviewed by the ITT Corporation Board of Directors or a committee thereof and in the event the Board rejects any portion of this Memorandum, you and ITT agree that this Memorandum is void and invalid and we agree to resume negotiations as soon as reasonably practicable towards a final mutually acceptable separation memorandum. We further agree that the terms of this Memorandum will govern your severance arrangements and separation, notwithstanding the terms of any other benefit plan in which you participate, except that your rights under the ITT Industries General Pension Plan will be governed by the terms of the plan, except as otherwise specifically noted herein. A copy of the Senior Plan is attached. Upon the execution of the attached release and expiration of the review and revocation period set forth in the Separation Agreement and General Release of Claims ("Release") to which this Memorandum is attached and incorporated by reference therein, ITT agrees to make the payments and provide the benefits to you as set forth herein.

Expiration of Service and Severance Arrangements

Expiration of Service — You will continue to be employed as an active, full time employee through March 31, 2009 (the “Termination Date”), at which time your active service shall terminate. You will be paid your current annual base salary of \$432,000 through the Termination Date, in accordance with the Company’s standard payroll practices, procedures and dates. In addition, subject to the terms and conditions of this Memorandum, you and your dependants will continue to participate in applicable ITT benefit plans through the Termination Date and as described herein. You will resign as an officer of ITT as of March 31, 2009.

Severance Pay You will receive twenty-four (24) months of severance pay, beginning April 1, 2009 through March 31, 2011 (“Severance End Date”). ITT will make these payments in the form of severance pay on the regular payroll schedule (currently bi-weekly) through the period set forth above. You will continue to be paid your current annual base salary of \$432,000 throughout the severance period, provided you have not become eligible for disability payments on or prior to your Termination Date. In the event you become disabled on or prior to your Termination Date, your entitlement to any short-term disability and/or long-term disability benefits shall be determined in accordance with the applicable short-term or long-term disability plans and the treatment of any such benefits in coordination with the above payments will be in accordance with the terms of such disability plans and the Senior Plan. ITT agrees that it will not exercise any rights that it has under the Senior Plan to pay any remainder of severance pay as a discounted lump sum. You will not be entitled to receive any other pay or any other compensation from ITT except as described in this Memorandum. In the event ITT determines that you are an individual described in Section 416(i) ITT will not make any of the required severance payments for the first six months, and will make seven payments on the first day of the 7th month in accordance with Treas. Reg. section 1.409A-3(i)(2)(ii).

Except as specifically set forth in this letter, for purposes of the various benefit, equity and incentive plans discussed in this Memorandum (other than the ITT Industries General Pension Plan and the ITT Deferred Compensation Plan), your separation date will be deemed to be the earlier of (i) Severance End Date or (ii) the date of your engaging in any disqualifying conduct as defined in the Senior Plan (referred to hereinafter as the “Severance End Date”), except that it is agreed that ITT shall not unreasonably deny any specific request that work for a competitor not be deemed a disqualifying event.

For purposes of paragraph 9 of the Senior Plan, the decision as to whether you have engaged in disqualifying conduct shall be as reasonably determined by the ITT Senior Vice President, Director Human Resources and, in the event that such a determination is made, you will be given reasonable notice and opportunity to cure any such alleged disqualifying conduct, prior to any decision by ITT to terminate your severance pay. Notwithstanding anything to the contrary, any dispute in connection with disqualifying conduct is subject to final and binding resolution pursuant to Paragraph 11 of the Separation Agreement And General Release of Claims.

Responsibilities — Until the Termination Date, you will work with the SVP and President Fluid and Motion Control and the SVP and Director Human Resources to transition responsibilities and will provide such assistance with other matters as they may reasonably request consistent with past responsibilities.

Annual Incentive (Bonus)

You will be eligible for an annual incentive award under the Annual Incentive Plan for performance year 2008 based on twelve months of active service in 2008, subject to Company performance and approval by the Compensation and Personnel Committee of the ITT Board of Directors (the “Committee”). Your bonus shall be no less than the calculated target (i.e. \$432,000 multiplied by 70%) multiplied by the approved performance payout factor for Motion and Flow Control. You will be eligible for consideration for a bonus

for performance year 2009 based on the number of active months of service during 2009, provided it is at least three months. You will not be eligible for any bonus for performance year 2010 or beyond.

Stock Option Awards

Until your Severance End Date, you may exercise your stock options to the extent they are currently exercisable or become exercisable prior to the Severance End Date (provided that no stock option shall be exercisable beyond its original full term). For purposes of calculating the vesting of your options and the exercise periods therefore, your employment period shall be deemed to continue until the Severance End Date.

Grants Prior to 2006 under the 2003 Equity Incentive Plan:

- Ø Options granted to you prior to March 8, 2005. These options are fully exercisable and will remain exercisable through the earlier of the option expiration date or five years following the Severance End Date.
- Ø Options granted on March 8, 2005. You have exercised these options in full, so there are no outstanding options associated with this grant..

2006 and 2007 Stock Option Grants:

- Ø Options granted to you on March 6, 2006 are subject to cliff vesting on March 6, 2009. The option will become exercisable on March 6, 2009 and will remain exercisable for five years following the Severance End Date or the expiration date of the option (March 6, 2013), whichever is earlier. If the option is not vested on the Severance End Date, then a prorated portion will immediately vest upon the Severance End Date. The remaining portion will be forfeited.
- Ø Options granted to you on March 7, 2007 are subject to cliff vesting on March 7, 2010. The option will become exercisable on March 8, 2010 and will remain exercisable for five years following the Severance End Date or the expiration date of the option (March 7, 2014), whichever is earlier. If the option is not vested on the Severance End Date, then a prorated portion will immediately vest upon the Severance End Date. The remaining portion will be forfeited.
- Ø Options granted to you on March 10, 2008 are subject to cliff vesting on March 10, 2011. The option will become exercisable on March 11, 2011 and will remain exercisable for five years following the Severance End Date or the expiration date of the option (March 10, 2015), whichever is earlier. If the option is not vested on the Severance End Date, then a prorated portion will immediately vest upon the Severance End Date. The remaining portion will be forfeited.

The exercise of your options will be in accordance with the terms of the ITT 1994 Incentive Stock Plan and the 2003 Equity Incentive Plan, as applicable, and the applicable Administrative Rules and Regulations in effect at the time of exercise.

After September 30, 2009, you will no longer be subject to the requirement for prior approval before the purchase or sale of ITT stock. You may continue to clear any transaction with respect to such stock with the Company's legal department. You are also subject to the securities laws and ITT's "insider trading" policies in respect of any transaction you effect while in possession of material non-public information regarding ITT stock.

Restricted Stock Awards

- Ø Your 2006 restricted stock award of 3,556 shares awarded on March 6, 2006 will continue to vest ratably on a monthly basis between the grant date and March 6, 2009 (except that vesting will cease upon the Severance End Date if that date occurs before March 6, 2009).

Ø Your 2007 restricted stock award of 3,263 shares awarded on March 7, 2007 is subject to cliff vesting on March 7, 2010. However, this award will vest ratably on a monthly basis between the grant date and March 7, 2010 (except that vesting will cease upon the Severance End Date).

Ø Your 2008 restricted stock award of 3,869 shares awarded on March 10, 2008 is subject to cliff vesting on March 10, 2011. However, this award will vest ratably on a monthly basis between the grant date and March 10, 2011 (except that vesting will cease upon the Severance End Date).

The receipt of shares under these awards are subject to your payment to the company of any taxes due with respect to those shares.

Long-Term Incentive Plan (TSR Awards)

Your 2006 Target Award of \$375,000 is subject to a 36-month performance period, January 1, 2006 through December 31, 2008. The terms and conditions of that award provide that because you will be an active, full-time employee through December 31, 2008, you are eligible for payment, if any, with respect to this award.

You will be eligible to receive payment for your outstanding 2007 and 2008 TSR awards, following the completion of the applicable performance period. Such payment, if any, will be based on the number of full months of employment and full months after the Termination Date but before the Severance End Date and any payment for these awards will be prorated on that basis over the 36-month performance period. Accordingly, any payment for your outstanding 2007 and 2008 target TSR awards will be calculated as follows:

Ø 2007 Target Award of \$400,000. Your final payment value, if any, will be prorated, calculated on the basis of the number of months of employment plus full months after the Termination Date but before the Severance End Date during the 36-month performance period ending December 31, 2009.

Ø 2008 Target Award of \$450,000. Your final payment value, if any, will be prorated, calculated on the basis of the number of months of employment plus full months after the Termination Date but before the Severance End Date during the 36-month performance period ending December 31, 2010.

Notwithstanding the foregoing, the 2007 and 2008 TSR Awards will be paid no earlier than six months after the Termination Date.

The ultimate value, if any, of your outstanding TSR awards will be determined based on ITT's TSR performance at the end of the performance period as measured against the S&P Industrials and approved by the Compensation and Personnel Committee of the Board of Directors. Further, the terms of the ITT 1997 Long-Term Incentive Plan shall prevail, including any acceleration of payments made under applicable provisions of any relevant plan.

Vacation

You will be eligible to receive a lump sum payment for any unused vacation for 2009 following your Termination Date. Please note that payment for unused vacation will not count for any purpose under any employee benefit plan. You will not be eligible for any vacation for the year 2010 or after.

Automobile Allowance

You will continue to receive your current automobile allowance until your Severance End Date.

Benefit Plans

Benefit Plan Eligibility — During the active service period and until the Severance End Date, your eligibility for certain employee benefit plans shall be as outlined in subsequent paragraphs of this Memorandum, subject to the actual terms of the specific plans as contained in the various plan documents. You will not be entitled to any benefits or perquisites not specifically covered in this Memorandum. In the event of revisions to any or all of the subject plans, your benefits will not be diminished except in accordance with the changes that are generally applicable to all similarly-situated plan participants.

ITT Industries General Pension Plan — You may continue to participate in this Plan during the Active Service Period but not thereafter. Your active participation in this Plan will cease at the Termination Date. ITT agrees that for the purpose of the General Pension Plan you may opt to take early retirement benefits at any time after the Termination Date, and those benefits will be calculated in accordance with the normal early retirement provisions of the Plan.

Insurance Plans

Medical and Dental Insurance — You and your eligible dependants are eligible to continue coverage under the same terms as an active employee until the Severance End Date. After the Severance End Date, you shall be eligible for coverage under ITT's retiree health plan under the same terms as other retirees.

Group Life Insurance — Your life insurance under the ITT Salaried Life Insurance Plan will continue through the last day of the month in which your severance payments cease. At the end of such period, you will be eligible to convert the remainder without a medical examination, providing you do so within 31 days of the end of coverage. Accidental Death and Dismemberment Insurance under the ITT Salaried Life Insurance Plan ceases on March 31, 2009.

ITT Group Accident Insurance Program for Officers and Directors — You will be covered under this Program through March 31, 2009. You will continue during this period to be eligible for the non-contributory portion of this coverage and for any additional optional coverage you may have purchased.

Life Plus — You are eligible to continue your coverage under Life Plus during the active service period but not thereafter. At the end of such period, you may maintain all or part of your Life Plus coverage by requesting direct billing of premiums from Marsh@WorkSolutions, the Program Administrator, at 1-800-552-9665.

Short-Term Disability and Long-Term Disability Insurance — Coverage under these plans ceases on the Termination Date.

Long Term Care Plan — If you or your spouse are currently enrolled in the ITT Long Term Care Plan, this coverage will continue during the Severance Pay period for as long as your normal active premium contributions continue to be deducted from your Severance Pay. At the end of your Severance Pay period, this coverage can be ported to an outside billing arrangement if you so choose. Please call John Hancock directly at 1-888-216-5054 to set up the transfer from a payroll deduction to an individual billing process prior to your Severance End Date.

Flexible Spending Account Plan — If you are currently enrolled in this program, you can continue to participate in the Flexible Spending Account Plan during the calendar year in which your Severance Pay

period began. Therefore, you are eligible to continue participation in this plan until December 31, 2009. You will not be eligible to enroll for 2010.

Special Senior Executive Severance Pay Plan

During the active service period you will continue to be covered under the ITT Special Senior Executive Severance Pay Plan ("Special Severance Plan") in accordance with and subject to the terms of said Plan. Accordingly, notwithstanding anything to the contrary herein, or in the Special Severance Plan, if an Acceleration Event (as defined in the Special Severance Plan) shall occur on or before the Termination Date, you will be deemed to be a full-time, regular salaried employee of ITT in Band A whose employment is terminated by the company other than for Cause, or who has terminated employment for Good Reason (as "Cause" and "Good Reason" are defined in the Special Severance Plan). Hence, if an Acceleration Event occurs on or before the Termination Date, you will be entitled to all of the benefits provided in the Special Severance Plan for special severance executives in Band A, subject to offset as provided below. Any severance payments and any other severance benefits to which you may be entitled pursuant to the Special Severance Plan shall be subject to offset by the severance payments and other severance benefits provided pursuant to this Memorandum, such offset to be in accordance with and subject to the terms of "Offset" Paragraph 10 of the Special Severance Plan.

Tax Preparation and Financial Planning

You will be eligible for Financial Planning Assistance, which includes the Executive Tax Program, through tax year 2011; reimbursement for 2009, 2010, and 2011 tax preparation work to be available in 2010, 2011, and 2012 in accordance with the terms of the Program to be paid by the company in accordance with its usual practice. The company will not take any action which is intended to deny you continuing access to the Financial Planning Assistance for future years beyond 2011 at your own cost. Any reimbursement made pursuant to this paragraph for fees under the Executive Tax Program and/or fees for Financial Planning Assistance through tax year 2011 will be fully grossed-up for federal, state and local tax purposes, including income tax purposes.

Payroll Deductions

To the extent applicable, payroll deductions and benefit plan elections currently authorized by you, as well as appropriate tax withholding, will continue during the active service period and the severance pay period. If you wish to change the deductions or an election at any time during the active service period or severance pay period, please contact the Human Resources or Payroll departments.

Annual Physical Examination Program

You will be eligible for company-paid annual physical examinations at a facility of your own choosing, through 2011. You may avail yourself of a Company reimbursed health club membership in accordance with the Company's executive plan, if the plan is continued, through 2011.

Outplacement

In lieu of outplacement services, ITT will reimburse you up to \$10,000 for costs associated with your transition. Reimbursement will be subject to normal withholding.

Death

In the event of death prior to the termination of all payments and benefits hereunder, such payments and benefits payable upon death in accordance with the applicable benefit plan shall be made to your estate, except for any benefit for which you have already filed with ITT a designation of a named beneficiary other than your estate or for which there is no benefit payable upon death.

Miscellaneous

ITT hereby conveys to you as of the Termination Date, and you may retain as your personal property, your Company provided computer and Blackberry. Prior to the Termination Date, you will arrange for an IT representative in White Plains to delete all ITT data not necessary for continued e-mail access, and leave on the laptop only those programs and data that ITT is permitted to transfer to you at no cost and in compliance with applicable law. You may remain on the Company e-mail system through December 31, 2009.

(You are encouraged to review this Memorandum and the attached Release with an attorney of your own choosing, with the fee to be reimbursed by ITT with an appropriate tax "gross-up" if necessary to account for federal, state and local taxes.)

The parties hereby indicate their agreement with the terms and conditions of this Memorandum and the attached Release by signing and dating this Memorandum in the space provided below.

EMPLOYEE: Nicholas P. Hill

/s/ Nicholas P. Hill

Employee's Signature

STATE OF NEW YORK

COUNTY OF WESTCHESTER

Subscribed and sworn before me this 20th day
of February, 2009.

/s/ Peter A. Timpano Jr

PETER A. TIMPANO JR
Notary Public, State of New York
No. 01TI6090883
Qualified in Westchester County
Commission Expires April 21, 2011

EMPLOYER: ITT Corporation

/s/ Scott A. Crum

Scott A. Crum, Senior Vice President and Director, Human Resources

STATE OF NEW YORK

COUNTY OF WESTCHESTER

Subscribed and sworn before me this 20th day
of February, 2009.

/s/ Peter A. Timpano Jr

PETER A. TIMPANO JR
Notary Public, State of New York
No. 01TI6090883
Qualified in Westchester County
Commission Expires April 21, 2011

Separation Agreement and General Release of Claims

The Separation Agreement and General Release ("Release") is made and entered into by and between ITT Corporation ("ITT" or the "Company") and Nicholas P. Hill (referred to herein in the first person). In consideration of the mutual promises contained herein, it is agreed as follows:

1. I will be employed with ITT for the active service period set forth in the Separation Memorandum entered into between ITT and myself (the "Memorandum"), to which this Release is attached and incorporated by reference. After my active service period ends, I will receive severance payments for twenty-four (24) months of my annualized base salary of \$432,000, and the other benefits described in the Memorandum, subject to the terms and conditions set forth in the Memorandum.
 2. I agree to the following:
 - (a) I am not eligible and will not receive any compensation, fringe benefits or employee benefits or any pay in lieu of notice or any severance or termination pay except as provided in the Memorandum. I agree and acknowledge that the pay set forth in the Memorandum is good and sufficient consideration for all of my promises, obligations, and covenants set forth in the Memorandum and in this Release.
 - (b) On behalf of myself and my heirs, executors, administrators, personal and legal representatives, successors and assigns ("Releasers"), I waive, release and forever discharge ITT, its current and former subsidiaries, affiliates, divisions and related entities and their predecessors, successors and assigns, and all of their past and present officers, directors, shareholders, agents, representatives, administrators, employees, and benefit plans (collectively "Releasees") from any and all claims, demands, debts, liabilities, obligations, expenses (including attorney's fees and costs), promises, covenants, controversies, grievances, claims, suits, actions or causes of action, in law or in equity, known or unknown to me, foreseen or unforeseen, contingent or not contingent, liquidated or not liquidated, which I may have had in the past, may have now, or may in the future claim to have against Releasees arising with respect to any incident, event, act or omission occurring at any time prior to my signing of this Release. This Release shall not operate as a release or waiver of claims or rights that may arise after the date of its execution, for vested benefits, for indemnification pursuant to Company policy or applicable law, for coverage under any directors' and officers' personal liability or any fiduciary liability, insurance policy in accordance with the terms of such policy, or any rights you may have as a shareholder in a public company (collectively, the "Reserved Rights") and this Release shall not affect my right to seek enforcement of the terms and conditions of the Memorandum and this Release.
 - (c) There are various state and federal laws that prohibit employment discrimination including discrimination on the basis of age, sex, race, color, national origin, religion, disability and veteran status and these laws are enforced through the United States Equal Employment Opportunity Commission, the United States Department of Labor, various federal and state agencies, and the federal and state courts. This Release specifically includes, but is not limited to, any and all claims and causes of action arising under tort or contract law or specific statutes prohibiting discrimination based on sex, color, race, national origin, religion, disability, veteran status or age, including without limitation, the Americans With Disabilities Act, the Age Discrimination in Employment Act of 1967, Title VII of the Civil Rights Act of 1964, the Civil Rights Acts of 1866 and 1871, the Equal Pay Act, or any other federal, state, city, or local laws.
 - (d) In consideration of the benefits provided to me under the Memorandum and this Release, I agree to waive and will not assert any of the claims or causes of action that I have waived in this Release before any federal or state court, any federal or state agency, or in any public or private arbitration. This prohibition does not apply if it would be a
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violation of applicable law or regulation. If this prohibition does not apply, however, and a charge or lawsuit is filed by or on behalf of me, I agree not to seek or accept any personal relief, award, monetary damages or other benefits in connection with or based on such charge or lawsuit. This paragraph is not intended to limit my right to commence and maintain legal action for the sole purpose of enforcing the Memorandum and this Release or the Reserved Rights.

(e) I also agree to waive, release and forever discharge Releasees from any and all claims, causes of action and lawsuits that may arise from any incident, event, act or omission occurring during my active service period or severance pay period as those terms are defined in the Memorandum, except for the purpose of enforcing the Memorandum and this Release or the Reserved Rights.

3. Releasees hereby waive, release and forever discharge Releasors from all claims, demands, debts, liabilities, obligations, expenses (including attorney's fees and costs), promises, covenants, controversies, grievances, claims, suits, actions or causes of action, in law or in equity, known or unknown, foreseen or unforeseen, contingent or not contingent, liquidated or not liquidated, which Releasees may have had in the past, may have now, or may in the future claim to have against Releasors arising with respect to any incident, event, act or omission occurring at any time prior to my signing of this Release, provided however, that this Release shall not operate as a release or waiver of claims or rights that arise after the date of its execution. Nor shall this Release in any way apply to or waive any of Releasees' rights to enforce the terms and conditions of the Memorandum and this Release through legal action.
4. After my service period ends, notwithstanding Section 7 of the ITT Senior Executive Severance Pay Plan, I will receive no future benefits, compensation or perquisites (including but not limited to severance pay and benefits) from ITT except as set forth in the Memorandum.
5. Except as may be required under applicable law or the rules of a stock exchange or national securities quotation system, I agree to keep the Memorandum and this Release confidential and not to disclose their contents to anyone except my immediate family, my financial or legal consultants, and appropriate governmental agencies that require this information.
6. I agree not to slander, defame or otherwise intentionally injure the reputation of ITT or its officers, directors, employees, agents, representatives, or products.
7. I acknowledge that: (i) I have been advised in writing to consult with an attorney of my own choice regarding this Release and the Memorandum; (ii) I have been advised in writing that I may have at least 21 days from my receipt of this Release and the Memorandum to review and consider them; (iii) I actively participated in the negotiation of the terms and conditions of this Release and the Memorandum; (iv) I fully understand those terms and conditions; (v) I am voluntarily and of my own free will executing this Release and the Memorandum on the date reflected below; and (vi) during a period of seven days following my execution of this Release and the Memorandum, I may revoke such executions and this Release and the Memorandum shall not be effective or enforceable until such seven day period has expired. Should I desire to revoke this Release and the Memorandum, my revocation must be in writing and addressed to Scott A. Crum, Senior Vice President and Director Human Resources, ITT, 4 West Red Oak Lane, White Plains, NY 10604 and delivered to Mr. Crum within the seven day revocation period.
8. ITT and any Releasee shall not be liable for any other monies or payment to me or on my behalf other than as described in this Release and the Memorandum. This Release and the Memorandum, which is incorporated herein, contain the entire agreement between me, ITT, and all Releasees relating to the subject matter thereof. This Release fully supersedes any and all prior agreements or understandings, whether oral or written. I represent and acknowledge that in signing this Release and the Memorandum, I have not relied upon any representation or statement, oral or written, not set

forth herein. No amendment to this Release or the Memorandum shall be binding unless it is in writing, expressly designated as an amendment, dated, and signed by the parties.

9. Nothing in this Release or the Memorandum constitutes an admission of liability by ITT or any Releasee or me, and this Release or the Memorandum will not be used by me, ITT or any other entity or person as evidence in any proceeding or trial, except to enforce the terms of this Release and Memorandum or the Reserved Rights.
10. This Release and the Memorandum shall be construed in accordance with the laws of the State of New York. Should any provision of this Release or the Memorandum be determined invalid or unenforceable, the validity of the remaining provisions shall not be affected and shall remain in full force and effect to the maximum extent permitted by law.
11. Any dispute, controversy or claim arising out of or relating to this Release or the Memorandum, or to an alleged breach thereof, shall be first submitted to non binding mediation, conducted by one mediator jointly agreed upon by ITT and me, or if we cannot agree, by one mediator appointed by the American Arbitration Association. If the matter cannot be resolved within three months of the appointment of a mediator, the matter shall be subject to exclusive and final resolution by arbitration. The arbitration shall be conducted by one (1) arbitrator jointly agreed to by ITT and me or, if we cannot agree on an arbitrator, appointed by the American Arbitration Association. Except to the extent inconsistent with any provision of this Release or the Memorandum, the arbitration shall be conducted in accordance with the Employment Dispute Resolution Rules then in effect of the American Arbitration Association, which shall administer the arbitration and act as appointing authority. The arbitration, including the rendering of the award, shall take place in White Plains, New York, and shall be the exclusive forum for resolving such dispute, controversy or claim. For the purpose of this arbitration, the provisions of this Release and Memorandum and all rights and obligations thereunder shall be governed and construed in accordance with the laws of New York, but the arbitrator shall not have the power to award punitive or exemplary damages. The mediation and arbitration proceedings, the subject matter thereof, and the award shall be maintained on a confidential basis by the parties, the mediator, the Arbitrator and the American Arbitration Association, all of whom shall be bound by this confidentiality provision, except to the extent such information is disclosed to a court in an action to enforce the arbitrator's award. The decision of the arbitrator shall be binding upon the parties hereto, and each party shall be responsible for its own expenses and attorney's fees in connection with the arbitration, except as expressly set forth herein. The decision of the arbitrator shall be executory, and judgment thereon may be entered by any court of competent jurisdiction. ITT will pay ninety percent of the American Arbitration Association's mediation administrative fees and expenses of the mediator and I will pay ten percent. ITT will pay seventy-five percent of the American Arbitration Association's arbitration administrative fees and the fees and expenses of the arbitrator, and I will pay twenty-five percent.
12. The Memorandum and Release shall be binding upon, and assumed by, the successors and assigns of ITT.
13. I have carefully read this Release and the Memorandum, fully understand their provisions, and my signature below indicates my understanding and agreement with their terms and conditions.

The original executed Release and the Memorandum must be returned to Scott A. Crum, Senior Vice President and Director Human Resources, ITT Corporation, 1133 Westchester Avenue, White Plains, NY 10604.

EMPLOYEE: Nicholas P. Hill

/s/ Nicholas P. Hill

Employee's Signature

STATE OF NEW YORK
COUNTY OF WESTCHESTER

Subscribed and sworn before me this 20th day
of February, 2009

/s/ Peter A. Timpano Jr

PETER A. TIMPANO JR
Notary Public, State of New York
No. 01TI6090883
Qualified in Westchester County
Commission Expires April 21, 2011

EMPLOYER: ITT Corporation.

/s/ Scott A. Crum

Scott A. Crum, Senior Vice President and Director, Human Resources

STATE OF NEW YORK
COUNTY OF WESTCHESTER

Subscribed and sworn before me this 20th day
of February, 2009

/s/ Peter A. Timpano Jr

PETER A. TIMPANO JR
Notary Public, State of New York
No. 01TI6090883
Qualified in Westchester County
Commission Expires April 21, 2011

ITT Corporation
Special Senior Executive Severance Pay Plan
(amended and restated as of December 31, 2008)

1. Purpose

The purpose of this ITT Corporation Special Senior Executive Severance Pay Plan ("Plan") is to assist in occupational transition by providing Severance Benefits, as defined herein, for employees covered by this Plan whose employment is terminated under conditions set forth in this Plan.

2. Covered Employees

Covered employees under this Plan ("Special Severance Executives") are active full-time, regular salaried employees of ITT Corporation, ("ITT") and of any subsidiary company ("ITT Subsidiary") (collectively or individually as the context requires "Company") (including Special Severance Executives who are short term disabled as of a Potential Acceleration Event within the meaning of the Company's short term disability plans) (other than Special Severance Executives on periodic severance as of a Potential Acceleration Event) who are in Band A or B or were in Band A or B at any time within the two year period immediately preceding an Acceleration Event and such other employees of the Company who shall be designated as covered employees in Band A or B under the Plan by the Compensation and Personnel Committee of ITT's Board of Directors.

"Bands A and B" shall have the meaning given such terms under the executive classification system of the ITT Human Resources Department as in effect immediately preceding an Acceleration Event. After the occurrence of an Acceleration Event, the terms "ITT", "ITT Subsidiary" and "Company" as used herein shall also include, respectively and as the context requires, any successor company to ITT or any successor company to any ITT Subsidiary and any affiliate of any such successor company.

3. Definitions

An "Acceleration Event" shall occur if (i) a report on Schedule 13D shall be filed with the Securities and Exchange Commission pursuant to Section 13(d) of the Securities Exchange Act of 1934 (the "Act") disclosing that any person (within the meaning of Section 13(d) of the Act), other than ITT or a subsidiary of ITT or any employee benefit plan sponsored by ITT or a subsidiary of ITT, is the beneficial owner directly or indirectly of twenty percent (20%) or more of the outstanding Common Stock \$1 par value, of ITT (the "Stock"); (ii) any person (within the meaning of Section 13(d) of the Act), other than ITT or a subsidiary of ITT, or any employee benefit plan sponsored by ITT or a subsidiary of ITT, shall purchase shares pursuant to a tender offer or exchange offer to acquire any Stock of ITT (or securities convertible into Stock) for cash, securities or any other consideration, provided that after consummation of the offer, the person in question is the beneficial owner (as such term is defined in Rule 13d-3 under the Act),

directly or indirectly, of twenty percent (20%) or more of the outstanding Stock of ITT (calculated as provided in paragraph (d) of Rule 13d-3 under the Act in the case of rights to acquire Stock); (iii) the stockholders of ITT shall approve (A) any consolidation, business combination or merger involving ITT, other than a consolidation, business combination or merger involving ITT in which holders of Stock immediately prior to the consolidation, business combination or merger (x) hold fifty percent (50%) or more of the combined voting power of ITT (or the corporation resulting from the merger or consolidation or the parent of such corporation) after the merger and (y) have the same proportionate ownership of common stock of ITT (or the corporation resulting from the merger or consolidation or the parent of such corporation), relative to other holders of Stock immediately prior to the merger, business combination or consolidation, immediately after the merger as immediately before, or (B) any sale, lease, exchange or other transfer (in one transaction or a series of related transactions) of all or substantially all the assets of ITT, (iv) there shall have been a change in a majority of the members of the Board of Directors of ITT within a 12-month period unless the election or nomination for election by ITT stockholders of each new director during such 12-month period was approved by the vote of two-thirds of the directors then still in office who (x) were directors at the beginning of such 12-month period or (y) whose nomination for election or election as directors was recommended or approved by a majority of the directors who were directors at the beginning of such 12-month period or (v) any person (within the meaning of Section 13(d) of the Act) (other than ITT or any subsidiary of ITT or any employee benefit plan (or related trust) sponsored by ITT or a subsidiary of ITT) becomes the beneficial owner (as such term is defined in Rule 13d-3 under the Act) of twenty percent (20%) or more of the Stock.

“Cause” shall mean action by the Special Severance Executive involving willful malfeasance or gross negligence or the Special Severance Executive’s failure to act involving material nonfeasance that would tend to have a materially adverse effect on the Company. No act or omission on the part of the Special Severance Executive shall be considered “willful” unless it is done or omitted in bad faith or without reasonable belief that the action or omission was in the best interests of the Company.

“Good Reason” shall mean (i) without the Special Severance Executive’s express written consent and excluding for this purpose an isolated, insubstantial and inadvertent action not taken in bad faith and which is remedied by the Company or its affiliates within 30 days after receipt of notice thereof given by the Special Severance Executive, (A) a reduction in the Special Severance Executive’s annual base compensation (whether or not deferred), (B) the assignment to the Special Severance Executive of any duties inconsistent in any material respect with the Special Severance Executive’s position (including status, offices, titles and reporting requirements), authority, duties or responsibilities, or (C) any other action by the Company or its affiliates which results in a material diminution in such position, authority, duties or responsibilities; (ii) without the Special Severance Executive’s express written consent, the Company’s requiring the Special Severance Executive’s work location to be other than within twenty-five (25) miles of the location where such Special Severance Executive was principally working immediately prior to the Acceleration Event; or (iii) any failure by the Company to obtain the express written assumption of this Plan from any successor to the Company; provided that “Good Reason” shall cease to exist for an event on the 90th day following the later of its occurrence or the Special Severance Executive’s knowledge thereof, unless the Special Severance Executive has given the Company notice thereof prior to such date.

“Potential Acceleration Event” shall mean any execution of an agreement, the commencement of a tender offer or any other transaction or event that if consummated would result in an Acceleration Event.

4. Severance Benefits Upon Termination of Employment

If, a Special Severance Executive’s employment with the Company is terminated due to a Qualifying Termination, he or she shall receive the severance benefits set forth in Section 5 hereof (“Severance Benefits”). For purposes hereof, (i) a “Qualifying Termination” shall mean a termination of a Special Severance Executive’s employment with the Company either (x) by the Company without Cause (A) within the two (2) year period commencing on the date of the occurrence of an Acceleration Event or (B) prior to the occurrence of an Acceleration Event and either (1) following the public announcement of the transaction or event which ultimately results in such Acceleration Event or (2) at the request of a party to, or participant in, the transaction or event which ultimately results in an Acceleration Event; or (y) by a Special Severance Executive for Good Reason within the two (2) year period commencing with the date of the occurrence of an Acceleration Event and (ii) a determination by a Special Severance Executive that he or she has “Good Reason” hereunder shall be final and binding on the parties hereto unless the Company can establish by a preponderance of the evidence that “Good Reason” does not exist.

5. Severance Benefits

Band A Benefits

Severance Benefits for Special Severance Executives (i) in Band A at the time of a Qualifying Termination or at any time during the two (2) year period immediately preceding the Acceleration Event or (ii) designated as a covered employee in Band A in accordance with Section 2 hereof:

- **Accrued Rights** - The Special Severance Executive’s base salary through the date of termination of employment, any annual bonus earned but unpaid as of the date of termination for any previously completed fiscal year, reimbursement for any unreimbursed business expenses properly incurred by the Special Severance Executive in accordance with Company policy prior to the date of the Special Severance Executive’s termination of employment and such employee benefits, if any, as to which the Special Severance Executive may be entitled under the employee benefit plans of the Company, including without limitation, the payment of any accrued or unused vacation under the Company’s vacation policy.

- **Severance Pay** – The sum of (x) three (3) times the highest annual base salary rate paid (whether or not deferred) to the Special Severance Executive at any time during the three year period immediately preceding the Special Severance Executive’s termination of employment, and (y) three (3) times the highest annual bonus paid or awarded (whether or not deferred) to the Special Severance Executive in respect of either (i) the three (3) years preceding an Acceleration Event or (ii) the three (3) years preceding the Special Severance Executive’s termination of employment.

• **Benefits and Perquisites**

> Continued health and life insurance benefits and perquisites (including, without limitation, any Company-provided automobile and any tax or financial advisory services) for a three (3) year period following the Special Severance Executive's termination of employment at the same cost to the Special Severance Executive, and at the same coverage levels, as provided to the Special Severance Executive (and the Special Severance Executive's eligible dependents) immediately prior to his or her termination of employment.

> Payment of a lump sum amount ("Pension Lump Sum Amount") equal to the difference between (i) the total lump sum value of the Special Severance Executive's pension benefit under the ITT Salaried Retirement Plan and, as applicable, Excess Pension Plan IA, Excess Pension Plan IB and/or Excess Pension Plan II of the Company or any successor plan; provided that the benefits under such successor plan is no less favorable than the benefits under the plans set forth herein (or corresponding pension arrangements outside the United States) ("Pension Plans") as of the Special Severance Executive's termination of employment and (ii) the total lump sum value of the Special Severance Executive's pension benefit under the Pension Plans after crediting an additional three (3) years of age and three (3) years of eligibility and benefit service to the Special Severance Executive and applying the highest annual base salary rate and highest bonus determined above under "Severance Pay" with respect to each of the additional three (3) years of service so credited for purposes of determining Final Average Compensation under the Pension Plans. The above total lump sum values shall be determined in the manner provided in the Excess Pension Plans of the Company for determination of lump sum benefits upon the occurrence of an Acceleration Event, as defined in said Plans. This provision shall apply to any Special Severance Executive having a pension benefit under any of the Pension Plans as of the Special Severance Executive's termination of employment. An example of the calculation of benefits set forth in this paragraph is set forth on Schedule A.

> Crediting of an additional three (3) years of age and three (3) years of eligibility service for purposes of the Company's retiree health and retiree life insurance benefits. This provision shall apply to any Special Severance Executives covered under such benefits any time during the three (3) year period immediately preceding the Special Severance Executive's termination of employment.

> Payment of a lump sum amount ("Savings Plan Lump Sum Amount") equal to three (3) times the following amount: the highest annual base salary rate determined above under "Severance Pay" times the highest percentage rate of Company Contributions (not to exceed three and one-half percent (3½%)) with respect to the Special Severance Executive under the ITT Investment and Savings Plan for Salaried Employees and/or the ITT Excess Savings Plan (or corresponding savings plan arrangements outside the United States) ("Savings Plans") (including matching contributions and floor contributions) at any time during the three (3) year period immediately preceding the Special Severance Executive's termination of employment or the three (3) year period immediately preceding the Acceleration Event. This provision shall apply to any Special Severance Executive who is a member of any of the Savings Plans at any time during such three (3) year period.

• **Outplacement** – Outplacement services for one (1) year.

Band B Benefits

Severance Benefits for Special Severance Executives (i) in Band B at the time of a Qualifying Termination or at any time during the two (2) year period immediately preceding the Acceleration Event or (ii) designated as a covered employee in Band B in accordance with Section 2 hereof; provided, that a Special Severance Executive who is in Band B at the time of a Qualifying Termination but was in Band A anytime during the two (2) year period immediately preceding the Acceleration Event shall be entitled to Severance Benefits as a Special Severance Executive in Band A and shall not be entitled to the Severance Benefits set forth below:

- **Accrued Rights** - The Special Severance Executive's base salary through the date of termination of employment, any annual bonus earned but unpaid as of the date of termination for any previously completed fiscal year, reimbursement for any unreimbursed business expenses properly incurred by the Special Severance Executive in accordance with Company policy prior to the date of the Special Severance Executive's termination of employment and such employee benefits, if any, as to which the Special Severance Executive may be entitled under the employee benefit plans of the Company, including without limitation, the payment of any accrued or unused vacation under the Company's vacation policy.

- **Severance Pay** - The sum of (x) two (2) times the highest annual base salary rate paid (whether or not deferred) to the Special Severance Executive at any time, during the three (3) year period immediately preceding the Special Severance Executive's termination of employment, and (y) two (2) times the highest annual bonus paid or awarded (whether or not deferred) to the Special Severance Executive in respect of either (i) the three (3) years preceding an Acceleration Event or (ii) the three (3) years preceding the Special Severance Executive's termination of employment.

- **Benefits and Perquisites**

- > Continued health and life insurance benefits and perquisites (including, without limitation, any Company provided automobile and any tax or financial advisory services) for a two year period following the Special Severance Executive's termination of employment at the same cost to the Special Severance Executive, and at the same coverage levels, as provided to the Special Severance Executive (and the Special Severance Executive's eligible dependents) immediately prior to his or her termination of employment.

- > Payment of a lump sum amount ("Pension Lump Sum Amount") equal to the difference between (i) the total lump sum value of the Special Severance Executive's pension benefit under the ITT Salaried Retirement Plan and, as applicable, Excess Pension Plan IA, Excess Pension Plan IB and/or Excess Pension Plan II of the Company or any successor plan; provided that the benefits under such successor plan is no less favorable than the benefits under the plans set forth herein (or corresponding pension arrangements outside the United States) ("Pension Plans") as of the Special Severance Executive's termination of employment and (ii) the total lump sum value of the Special Severance Executive's pension benefit under the Pension Plans after crediting an additional two (2) years of age and two (2) years of eligibility and benefit service to the Special Severance Executive and applying the highest annual base salary rate and highest bonus determined above under "Severance Pay" with respect to each of

the additional two (2) years of service so credited for purposes of determining Final Average Compensation under the Pension Plans. The above total lump sum values shall be determined in the manner provided in the Excess Pension Plans of the Company for determination of lump sum benefits upon the occurrence of an Acceleration Event, as defined in said Plans. This provision shall apply to any Special Severance Executive having a pension benefit under any of the Pension Plans as of the Special Severance Executive's termination of employment. An example of the calculation of benefits set forth in this paragraph is set forth on Schedule A.

> Crediting of an additional two (2) years of age and two (2) years of eligibility service for purposes of the Company's retiree health and retiree life insurance benefits. This provision shall apply to any Special Severance Executives covered under such benefits any time during the three (3) year period immediately preceding the Special Severance Executive's termination of employment.

> Payment of a lump sum amount ("Savings Plan Lump Sum Amount") equal to two (2) times the following amount: the highest annual base salary rate determined above under "Severance Pay" times the highest percentage rate of Company Contributions (not to exceed three and one-half percent (3 $\frac{1}{2}$ %) with respect to the Special Severance Executive under the ITT Investment and Savings Plan for Salaried Employees and/or the ITT Excess Savings Plan (or corresponding savings plan arrangements outside the United States) ("Savings Plans") (including matching contributions and floor contributions) at any time during either the three (3) year period immediately preceding the Special Severance Executive's termination of employment or the three (3) year period immediately preceding the Acceleration Event. This provision shall apply to any Special Severance Executive who is a member of any of the Savings Plans at any time during such three (3) year period.

• **Outplacement** – Outplacement services for one year.

General

With respect to the provision of benefit and perquisites during the above described respective three and two year periods, if, for any reason at any time the Company is unable to treat the Special Severance Executive as being eligible for ongoing participation in any Company employee benefit plans or perquisites in existence immediately prior to the termination of employment of the Special Severance Executive, and if, as a result thereof, the Special Severance Executive does not receive a benefit or perquisite or receives a reduced benefit or perquisite, the Company shall provide such benefits or perquisites by making available equivalent benefits or perquisites from other sources in a manner consistent with Section 15 below.

6. Form of Payment of Severance Pay and Lump Sum Payments

Severance Pay shall be paid in cash, in non-discounted equal periodic installment payments corresponding to the frequency and duration of the severance payments that the Special Severance Executive would have been entitled to receive from the Company as a normal severance benefit in the absence of the occurrence of an Acceleration Event. The Pension Lump

Sum Amount and the Savings Plan Lump Sum Amount shall be paid in cash within thirty (30) calendar days after the date the employment of the Special Severance Executive terminates.

7. Termination of Employment — Other

The Severance Benefits shall only be payable upon a Special Severance Executive's termination of employment due to a Qualifying Termination; provided, that if, following the occurrence of an Acceleration Event, a Special Severance Executive is terminated due to the Special Severance Executive's death or disability (as defined in the long-term disability plan in which the Special Severance Executive is entitled to participate (whether or not the Special Severance Executive voluntarily participates in such plan)) and, at the time of such termination, the Special Severance Executive had grounds to resign with Good Reason, such termination of employment shall be deemed to be a Qualifying Termination.

8. Administration of Plan

This Plan shall be administered by ITT, who shall have the exclusive right to interpret this Plan, adopt any rules and regulations for carrying out this Plan as may be appropriate and decide any and all matters arising under this Plan, including but not limited to the right to determine appeals. Subject to applicable Federal and state law, all interpretations and decisions by ITT shall be final, conclusive and binding on all parties affected thereby.

Notwithstanding the preceding paragraph, following an Acceleration Event, any controversy or claim arising out of or relating to this Plan, or the breach thereof, shall be settled by arbitration administered by the American Arbitration Association under its Commercial Arbitration Rules and the entire cost thereof shall be borne by the Company. The location of the arbitration proceedings shall be reasonably acceptable to the Special Severance Executive. Judgment on the award rendered by the arbitrator(s) may be entered in any court having jurisdiction thereof. The Company shall pay all legal fees, costs of litigation, prejudgment interest, and other expenses which are incurred in good faith by the Special Severance Executive as a result of the Company's refusal to provide any of the Severance Benefits to which the Special Severance Executive becomes entitled under this Plan, or as a result of the Company's (or any third party's) contesting the validity, enforceability, or interpretation of this Plan, or as a result of any conflict between the Special Severance Executive and the Company pertaining to this Plan. The Company shall pay such fees and expenses from the general assets of the Company.

9. Termination or Amendment

ITT may terminate or amend this Plan ("Plan Change") at any time except, that following the occurrence of (i) an Acceleration Event or (ii) a Potential Acceleration Event, no Plan Change that would adversely affect any Special Severance Executive may be made without the prior written consent of such Special Severance Executive affected thereby; provided, however, that (ii) above shall cease to apply if such Potential Acceleration Event does not result in the occurrence of an Acceleration Event.

10. Offset

Any Severance Benefits provided to a Special Severance Executive under this Plan shall be offset in a manner consistent with Section 15 by reducing (x) any Severance Pay hereunder by any severance pay, salary continuation pay, termination pay or similar pay or allowance and (y) any other Severance Benefits hereunder by corresponding employee benefits, perquisites or outplacement services, which the Special Severance Executive receives or is entitled to receive, (i) under the ITT Corporation Senior Executive Severance Pay Plan; (ii) pursuant to any other Company policy, practice, program or arrangement; (iii) pursuant to any Company employment agreement or other agreement with the Company; or (iv) by virtue of any law, custom or practice excluding, however, any unemployment compensation in the United States, unless the Special Severance Executive voluntarily expressly waives (which the Special Severance Executive shall have the exclusive right to do) in writing any such respective entitlement.

11. Excise Tax

In the event that it shall be determined that any payment or distribution by the Company to or for the benefit of the Special Severance Executive (whether paid or payable or distributed or distributable pursuant to the terms of this Plan or otherwise, but determined without regard to any additional payments required under this Section 11 such payments or distributions being referred to herein as "Payments") would give rise to liability of the Special Severance Executive for the excise tax imposed by Section 4999 of the Internal Revenue Code, as amended (the "Code"), or that any interest or penalties are incurred by the Special Severance Executive with respect to such excise tax (such excise tax, together with any such interest and penalties, are hereinafter collectively referred to as the "Excise Tax"), then the Special Severance Executive shall be entitled to receive an additional payment (the "Gross-Up Payment") in an amount such that after payment by the Special Severance Executive of all Federal, state and local taxes (including any interest or penalties imposed with respect to such taxes), including without limitation, any income and employment taxes (and any interest and penalties imposed with respect to such taxes) and Excise Tax imposed upon the Gross-Up Payment, the Special Severance Executive retains an amount of the Gross-Up Payment equal to the Excise Tax imposed upon the Payments.

All determinations required to be made under this Section 11, including whether and when a Gross-Up Payment is required and the amount of such Gross-Up Payment and the assumptions to be utilized in arriving at such determination, shall be made by a nationally recognized accounting firm mutually agreed to by the Special Severance Executive and the Company (the "Accounting Firm") which shall provide detailed supporting calculations both to the Company and the Special Severance Executive within ten (10) business days of the receipt of notice from the Special Severance Executive that there has been a Payment, or such earlier time as is requested by the Company; provided that for purposes of determining the amount of any Gross-Up Payment, the Special Severance Executive shall be deemed to pay federal income tax at the highest marginal rates applicable to individuals in the calendar year in which any such Gross-Up Payment is to be made and deemed to pay state and local income taxes at the highest effective rates applicable to individuals in the state or locality of the Special Severance Executive's residence or place of employment, whichever is higher, in the calendar year in which any such Gross-Up Payment is to be made. All fees and expenses of the Accounting Firm shall

be borne solely by the Company. Any Gross-Up Payment, as determined pursuant to this Section 11, shall be paid by the Company to the Special Severance Executive when due. If the Accounting Firm determines that no Excise Tax is payable by the Special Severance Executive, it shall so indicate to the Special Severance Executive in writing. Any determination by the Accounting Firm shall be binding upon the Company and the Special Severance Executive. As a result of the uncertainty in the application of Section 4999 of the Code, it is possible that the amount of the Gross-Up Payment determined by the Accounting Firm to be due to (or on behalf of) the Special Severance Executive was lower than the amount actually due ("Underpayment"). In the event that the Company exhausts its remedies pursuant to this Section 11 and the Special Severance Executive thereafter is required to make a payment of any Excise Tax, the Accounting Firm shall determine the amount of the Underpayment that has occurred and any such Underpayment shall be promptly paid by the Company to or for the benefit of the Special Severance Executive.

The Special Severance Executive shall notify the Company in writing of any claim by the Internal Revenue Service that, if successful, would require the payment by the Company of any Gross-Up Payment. Such notification shall be given as soon as practicable but no later than ten business days after Special Severance Executive is informed in writing of such claim and shall apprise the Company of the nature of such claim and the date on which such claim is requested to be paid. Special Severance Executive shall not pay such claim prior to the expiration of the thirty day period following the date on which it gives such notice to the Company (or such shorter period ending on the date that any payment of taxes with respect to such claim is due). If the Company notifies Special Severance Executive in writing prior to the expiration of such period that it desires to contest such claim, Special Severance Executive shall (i) give the Company any information reasonably requested by the Company relating to such claim, (ii) take such action in connection with contesting such claim as the Company shall reasonably request in writing from time to time, including, without limitation, accepting legal representation with respect to such claim by an attorney reasonably selected by the Company, (iii) cooperate with the Company in good faith in order to effectively contest such claim and (iv) permit the Company to participate in any proceedings relating to such claim; provided, however, that the Company shall bear and pay directly all costs and expenses (including additional interest and penalties) incurred in connection with such contest and shall indemnify and hold the Special Severance Executive harmless, on an after-tax basis, for any Excise Tax or income tax (including interest and penalties with respect thereto) imposed as a result of such representation and payment of costs and expenses. Without limitation on the foregoing provisions of this Section 11, the Company shall control all proceedings taken in connection with such contest and, at its sole option, may pursue or forego any and all administrative appeals, proceedings, hearings and conferences with the taxing authority in respect of such claim and may, at its sole option, either direct the Special Severance Executive to pay the tax claimed and sue for a refund or contest the claim in any permissible manner, and the Special Severance Executive agrees to prosecute such contest to a determination before any administrative tribunal, in a court of initial jurisdiction and in one or more appellate courts, as the Company shall determine; provided, further, that if the Company directs the Special Severance Executive to pay such claim and sue for a refund, the Company shall advance the amount of such payment to the Special Severance Executive, on an interest-free basis, and shall indemnify and hold the Special Severance Executive harmless, on an after-tax basis, from any Excise Tax or income tax (including interest or penalties with respect thereto) imposed with respect to such advance or with respect to any imputed income with respect to such

advance; provided, further, that if the Special Severance Executive is required to extend the statute of limitations to enable the Company to contest such claim, the Special Severance Executive may limit this extension solely to such contested amount. The Company's control of the contest shall be limited to issues with respect to which a Gross-Up Payment would be payable hereunder and the Special Severance Executive shall be entitled to settle or contest, as the case may be, any other issue raised by the Internal Revenue Service or any other taxing authority.

If, after the receipt by the Special Severance Executive of an amount paid or advanced by the Company pursuant to this Section 11, the Special Severance Executive becomes entitled to receive any refund with respect to a Gross-Up Payment, the Special Severance Executive shall (subject to the Company's complying with the requirements of Section 11) promptly pay to the Company the amount of such refund received (together with any interest paid or credited thereon after taxes applicable thereto). If, after the receipt by the Special Severance Executive of an amount advanced by the Company pursuant to Section 11, a determination is made that the Special Severance Executive shall not be entitled to any refund with respect to such claim and the Company does not notify the Special Severance Executive in writing of its intent to contest such denial of refund prior to the expiration of thirty (30) days after such determination, then such advance shall be forgiven and shall not be required to be repaid and the amount of such advance shall offset, to the extent thereof, the amount of the Gross-Up Payment required to be paid.

In the event the Gross-Up Payment shall fail to make the Special Severance Executive whole on an after-tax basis, whether by reason of either (i) an adjustment made by the Internal Revenue Service or state taxing authority or (ii) because the Special Severance Executive's actual effective tax rate was higher than the rate used by the Accounting Firm as determined pursuant to Section 11 for the year in which the Gross-Up Payment was made, the Gross-Up Payment shall be recalculated ("Recalculated Gross-Up Payment"), using the Special Severance Executive's actual effective tax rate, once it is known for the calendar year in which the Gross-Up Payment is made, and the Company shall reimburse the Special Severance Executive for the full amount of any amount by which the Recalculated Gross-Up Payment exceeds the Gross-Up Payment ("Additional Gross-Up Payment").

The Gross-Up Payment and any Additional Gross-Up Payment shall be paid out of the general assets of the Company. Any payments that the Company is required to pay to or on behalf of the Special Severance Executive pursuant to this Section 11 shall be paid to the Special Severance Executive within the time periods specified above; provided, however, that in no event shall such payments be made later than the end of the calendar year following the calendar year during which the Special Severance Executive remits the corresponding Excise Tax payments to any taxing authority or incurs the corresponding expenses.

12. Miscellaneous

The Special Severance Executive shall not be entitled to any notice of termination or pay in lieu thereof.

Severance Benefits under this Plan are paid entirely by the Company from its general assets.

This Plan is not a contract of employment, does not guarantee the Special Severance Executive employment for any specified period and does not limit the right of the Company to terminate the employment of the Special Severance Executive at any time.

If a Special Severance Executive should die while any amount is still payable to the Special Severance Executive hereunder had the Special Severance Executive continued to live, all such amounts shall be paid in accordance with this Plan to the Special Severance Executive's designated heirs or, in the absence of such designation, to the Special Severance Executive's estate.

The numbered section headings contained in this Plan are included solely for convenience of reference and shall not in any way affect the meaning of any provision of this Plan.

If, for any reason, any one or more of the provisions or part of a provision contained in this Plan shall be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision or part of a provision of this Plan not held so invalid, illegal or unenforceable, and each other provision or part of a provision shall to the full extent consistent with law remain in full force and effect.

The Plan shall be governed by and construed in accordance with the laws of the State of New York without regard to the conflicts of laws provisions thereof.

The Plan shall be binding on all successors and assigns of the ITT and a Special Severance Executive.

13. Notices

Any notice and all other communication provided for in this Plan shall be in writing and shall be deemed to have been duly given when delivered by hand or overnight courier or three (3) days after it has been mailed by United States registered mail, return receipt requested, postage prepaid, addressed to the respective addresses set forth below, or to such other address as either party may have furnished to the other in writing in accordance herewith, except that notice of change of address shall be effective only upon receipt.

If to the Company:

ITT Corporation
1133 Westchester Avenue
White Plains, New York 10604
Attention: General Counsel

If to Special Severance Executive:

To the most recent address of Special Severance Executive set forth in the personnel records of ITT.

14. Adoption Date

This Plan was initially adopted by ITT on March 10, 1997 ("Adoption Date") and does not apply to any termination of employment which occurred or which was communicated to the Special Severance Executive prior to the Adoption Date.

15. Section 409A

This Plan is intended to comply with Section 409A of the Code and will be interpreted in a manner intended to comply with Section 409A of the Code. Notwithstanding anything herein to the contrary, (i) if at the time of the Special Severance Executive's termination of employment with the Company the Special Severance Executive is a "specified employee" as defined in Section 409A of the Code (and any related regulations or other pronouncements thereunder) and the deferral of the commencement of any payments or benefits otherwise payable hereunder as a result of such termination of employment is necessary in order to prevent any accelerated or additional tax under Section 409A of the Code, then the Company will defer the commencement of the payment of any such payments or benefits hereunder (without any reduction in such payments or benefits ultimately paid or provided to the Special Severance Executive) until the date that is six months following the Special Severance Executive's termination of employment with the Company (or the earliest date as is permitted under Section 409A of the Code), at which point all payments deferred pursuant to this Section 15 shall be paid to the Special Severance Executive in a lump sum and (ii) if any other payments of money or other benefits due hereunder could cause the application of an accelerated or additional tax under Section 409A of the Code, such payments or other benefits shall be deferred if deferral will make such payment or other benefits compliant under Section 409A of the Code, or otherwise such payment or other benefits shall be restructured, to the extent possible, in a manner, determined by the Company, that does not cause such an accelerated or additional tax. To the extent any reimbursements or in-kind benefits due under this Plan constitute "deferred compensation" under Section 409A of the Code, any such reimbursements or in-kind benefits shall be paid in a manner consistent with Treas. Reg. Section 1.409A-3(i)(1)(iv). Each payment made under this Plan shall be designated as a "separate payment" within the meaning of Section 409A of the Code. The Company shall consult with Special Severance Executives in good faith regarding the implementation of the provisions of this section; provided that neither the Company nor any of its employees or representatives shall have any liability to Special Severance Executives with respect thereto.

ITT Corporation
Enhanced Severance Pay Plan
(amended and restated as of December 31, 2008)

1. Purpose

The purpose of this ITT Corporation Enhanced Severance Pay Plan (“**Plan**”) is to assist in occupational transition by providing Severance Benefits, as defined herein, for employees covered by this Plan whose employment is terminated under conditions set forth in this Plan.

2. Covered Employees

Covered employees under this Plan (“**Employees**”) are active full-time, regular salaried employees of ITT Corporation (“**ITT**”) and of any subsidiary company (“**ITT Subsidiary**”) (collectively or individually as the context requires “**Company**”) (including Employees who are short term disabled as of a Potential Acceleration event within the meaning of the Company’s short term disability benefit plans) (other than Employees on periodic severance as of a Potential Acceleration Event) who are or were, at any time within the two year period immediately preceding the Employees’ termination of employment (other than executives covered by the ITT Special Senior Executive Severance Pay Plan), either (i) United States or Canadian citizens or who are employed in the United States or Canada, whose primary employment location is at ITT Headquarters, White Plains, New York (and satellite locations, including, without limitation, ITT Pension and Savings Plan (Clifton, New Jersey), ITT TDS (Palm Coast, Florida), ITT Flight Operations (New Castle, Delaware), ITT Shared Services (Ft. Wayne, Indiana and Seneca Falls, New York), ITT Industries of Canada (Toronto, Ontario) and ITT Industries (Shanghai, China)) or (ii) worldwide staff whose primary responsibility is in support of ITT Defense Headquarters (McLean, Virginia), ITT Fluid Technology Headquarters (Upper Saddle River, New Jersey), ITT Motion and Flow Control Headquarters (Upper Saddle River, New Jersey) or ITT Electronic Components Headquarters (Santa Ana, California) and such other employees of the Company who shall be designated as covered employees thereunder by the Chief Executive or the Senior Vice President, Director-Human Resources of ITT or a designee of such officers (“**Authorized Officers or Designees**”). No person who is employed on a temporary, occasional or seasonal basis is eligible under this Plan.

After the occurrence of an Acceleration Event, the terms “**ITT**”, “**ITT Subsidiary**” and “**Company**” as used herein shall also include, respectively and as the context requires, any successor company to ITT or any successor company to any ITT Subsidiary and any affiliate of any such successor company.

3. Definitions

An “**Acceleration Event**” shall occur if (i) a report on Schedule 13D shall be filed with the Securities and Exchange Commission pursuant to Section 13(d) of the Securities Exchange Act of 1934 (the “**Act**”) disclosing that any person (within the meaning of Section 13(d) of the Act), other than ITT or a subsidiary of ITT or any employee benefit plan sponsored by ITT or a

subsidiary of ITT, is the beneficial owner directly or indirectly of twenty percent (20%) or more of the outstanding Common Stock \$1 par value, of ITT (the “**Stock**”); (ii) any person (within the meaning of Section 13(d) of the Act), other than ITT or a subsidiary of ITT, or any employee benefit plan sponsored by ITT or a subsidiary of ITT, shall purchase shares pursuant to a tender offer or exchange offer to acquire any Stock of ITT (or securities convertible into Stock) for cash, securities or any other consideration, provided that after consummation of the offer, the person in question is the beneficial owner (as such term is defined in Rule 13d-3 under the Act), directly or indirectly, of twenty percent (20%) or more of the outstanding Stock of ITT (calculated as provided in paragraph (d) of Rule 13d-3 under the Act in the case of rights to acquire Stock); (iii) the stockholders of ITT shall approve (A) any consolidation, business combination or merger involving ITT, other than a consolidation, business combination or merger involving ITT in which holders of Stock immediately prior to the consolidation, business combination or merger (x) hold fifty percent (50%) or more of the combined voting power of ITT (or the corporation resulting from the merger or consolidation or the parent of such corporation) after the merger and (y) have the same proportionate ownership of common stock of ITT (or the corporation resulting from the merger or consolidation or the parent of such corporation), relative to other holders of Stock immediately prior to the merger, business combination or consolidation, immediately after the merger as immediately before, or (B) any sale, lease, exchange or other transfer (in one transaction or a series of related transactions) of all or substantially all the assets of ITT, (iv) there shall have been a change in a majority of the members of the Board of Directors of ITT within a 12-month period unless the election or nomination for election by ITT’ stockholders of each new director during such 12-month period was approved by the vote of two-thirds of the directors then still in office who (x) were directors at the beginning of such 12-month period or (y) whose nomination for election or election as directors was recommended or approved by a majority of the directors who were directors at the beginning of such 12-month period or (v) any person (within the meaning of Section 13(d) of the Act) (other than ITT or any subsidiary of ITT or any employee benefit plan (or related trust) sponsored by ITT or a subsidiary of ITT) becomes the beneficial owner (as such term is defined in Rule 13d-3 under the Act) of twenty percent (20%) or more of the Stock.

“**Cause**” shall mean action by the Employee involving willful malfeasance or gross negligence or the Employee’s failure to act involving material nonfeasance that would tend to have a materially adverse effect on the Company. No act or omission on the part of the Employee shall be considered “willful” unless it is done or omitted in bad faith or without reasonable belief that the action or omission was in the best interests of the Company.

“**Enhanced Severance Period**” shall mean the period, expressed in weeks, equal to the sum of (x) two times the normal severance pay or termination pay period of weeks for the Employee (the “**Normal Severance Period**”), determined as if the Employee were an employee of the same grade, and having the same years of service, covered by and eligible for the severance pay or termination pay plans or policies at ITT Headquarters, White Plains, New York, as in effect immediately preceding an Acceleration Event and (y) four (4) weeks (in lieu of notice of termination), provided that the Enhanced Severance Period shall not exceed 108 weeks and shall not be less than the Minimum Severance Period.

“**Enhanced Week’s Pay**” shall mean the sum of (x) the highest annual base salary rate paid to the Employee at any time during the three (3) year period immediately preceding the

Employee's termination of employment and (y) the highest annual bonus or service recognition award paid or awarded to the Employee in respect of either (i) the three (3) years preceding an Acceleration Event or (ii) the three (3) years preceding the Employee's termination of employment, including, among the bonuses and service recognition awards taken into account for this purpose, any bonus or service recognition award paid or awarded by reason of an Acceleration Event, without regard to whether such bonus or service recognition award is paid during such three year period or after an Acceleration Event, divided by 52 weeks.

"Good Reason" shall mean (i) without the Employee's express written consent and excluding for this purpose an isolated, insubstantial and inadvertent action not taken in bad faith and which is remedied by the Company or its affiliates within 30 days after receipt of notice thereof given by the Employee, (A) a reduction in the Employee's annual base compensation (whether or not deferred), (B) the assignment to the Employee of any duties inconsistent in any material respect with the Employee's position (including status, offices, titles and reporting requirements), authority, duties or responsibilities, or (C) any other action by the Company or its affiliates which results in a material diminution in such position, authority, duties or responsibilities; (ii) without the Employee's express written consent, the Company's requiring the Employee's work location to be other than within twenty-five (25) miles of the location where such Employee was principally working immediately prior to the Acceleration Event; or (iii) any failure by the Company to obtain the express written assumption of this Plan from any successor to the Company; provided that "Good Reason" shall cease to exist for an event on the 90th day following the later of its occurrence or the Employee's knowledge thereof, unless the Employee has given the Company notice thereof prior to such date.

"Minimum Severance Period" shall mean (i) with respect to Employees with less than twenty (20) years of service with the Company, twenty-six (26) weeks, (ii) with respect to Employees with between twenty (20) and twenty-five (25) years of service with the Company, 52 weeks, (iii) with respect to Employees with greater than twenty-five (25) years of service with the Company but less than or equal to thirty (30) years of service with the Company, seventy-eight (78) weeks and (iv) with respect to Employees with greater than thirty (30) years of service with the Company, one hundred and four (104) weeks. For purposes hereof, "years of service" shall have the same meaning as in the termination pay plans or policies at ITT Headquarters, White Plains, New York, as in effect immediately preceding an Acceleration Event and shall be determined as of the date of the Employee's termination of employment with the Company.

"Potential Acceleration Event" shall mean any execution of an agreement, the commencement of a tender offer or any other transaction or event that if consummated would result in an Acceleration Event.

4. Severance Benefits Upon Termination of Employment

If an Employee's employment with the Company is terminated due to a Qualifying Termination, he or she shall receive the severance benefits set forth in Section 5 hereof ("**Severance Benefits**"). For purposes hereof, (i) a "**Qualifying Termination**" shall mean a termination of an Employee's employment with the Company either (x) by the Company without Cause (A) within the two (2) year period commencing on the date of the occurrence of an Acceleration Event or (B) prior to the occurrence of an Acceleration Event and either

(1) following the public announcement of the transaction or event which ultimately results in such Acceleration Event or (2) at the request of a party to, or participant in, the transaction or event which ultimately results in an Acceleration Event; or (y) by an Employee for Good Reason within the two (2) year period commencing with the date of the occurrence of an Acceleration Event and (ii) a determination by an Employee that he or she has “Good Reason” hereunder shall be final and binding on the parties hereto unless the Company can establish by a preponderance of the evidence that “Good Reason” does not exist.

5. Severance Benefits

Severance Benefits for Employees:

- **Accrued Rights** — The Employee’s base salary through the date of termination of employment, any annual bonus earned but unpaid as of the date of termination for any previously completed fiscal year, reimbursement for any unreimbursed business expenses properly incurred by the Employee in accordance with Company policy prior to the date of the Employee’s termination of employment and such employee benefits, if any, as to which the Employee may be entitled under the employee benefit plans of the Company, including without limitation, the payment of any accrued or unused vacation under the Company’s vacation policy.
 - **Severance Pay** — The number of weeks of the Employee’s Enhanced Severance Period times the Employee’s Enhanced Week’s Pay, paid in the form described in Section 6 below.
 - **Benefits**
 - Continued health and life insurance benefits and perquisites (including, without limitation, any Company-provided automobile and any tax or financial advisory services) for a period equal to the Employee’s Enhanced Severance Period following the Employee’s termination of employment at the same cost to the Employee, and at the same coverage levels, as provided to the Employee (and the Employee’s eligible dependents) immediately prior to his or her termination of employment.
 - Payment of a lump sum amount (“**Pension Lump Sum Amount**”) equal to the difference between (i) the total lump sum value of the Employee’s pension benefit under the ITT Salaried Retirement Plan and, as applicable, ITT Excess Pension Plan II or any successor plan; provided that the benefits under such successor plan is no less favorable than the benefits under the plans set forth herein (or corresponding pension arrangements (i) outside the United States or (ii) as may be designated by an Authorized Officer or Designee) (“**Pension Plans**”) as of the Employee’s termination of employment and (ii) the total lump sum value of the Employee’s pension benefit under the Pension Plans after crediting to the Employee an additional two (2) years of age and two (2) years of eligibility and benefit service and applying the highest annual base salary rate and highest bonus or service recognition award determined above under “Enhanced Week’s Pay” with respect to the additional period of service so credited for purposes of determining the Final Average Compensation under the Pension Plans. The above total lump sum values shall be determined in the manner provided in the Excess Pension Plans of the Company for determination of lump sum benefits upon the occurrence of an Acceleration Event, as defined in said Plans. This provision shall apply to any Employee having a pension benefit
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under any of the Pension Plans as of the Employee's termination of employment. An example of the calculation of benefits set forth in this paragraph is set forth on Schedule A.

- Crediting of an additional two (2) years of age and an additional two (2) years of eligibility service equal to the Employee's Enhanced Severance Period for purposes of the Company's retiree health and retiree life insurance benefits. This provision shall apply to any Employees covered under such benefits any time during the three (3) year period immediately preceding the Employee's termination of employment.

- Payment of a lump sum amount ("**Savings Plan Lump Sum Amount**") equal to the number of weeks of the Employee's Enhanced Severance Period times the following amount: the highest annual base salary rate determined above under "Enhanced Week's Pay", divided by 52 weeks, times the highest percentage rate of Company Contributions (not to exceed 3¹/₂%) with respect to the Employee under the ITT Investment and Savings Plan for Salaried Employees and/or the ITT Excess Savings Plan (or corresponding savings plan arrangements (i) outside the United States or (ii) as may be designated by an Authorized Officer of Designee) ("**Savings Plans**") (including matching contributions and floor contributions) at any time during the three (3) year period immediately preceding the Employee's termination of employment or the three (3) year period immediately preceding the Acceleration Event. This provision shall apply to any Employee who is a member of any of the Savings Plans at any time during such three (3) year period.

- Outplacement – Outplacement services for one (1) year.

With respect to the provision of benefits during the above period equal to the Employee's Enhanced Severance Period, if, for any reason at any time the Company is unable to treat the Employee as being eligible for ongoing participation in any Company employee benefit plans in existence immediately prior to the termination of employment of the Employee, and if, as a result thereof, the Employee does not receive a benefit or receives a reduced benefit the Company shall provide such benefits by making available equivalent benefits from other sources in a manner consistent with Section 15 below.

6. Form of Payment of Severance Pay and Lump Sum Payments

Severance Pay shall be paid in cash, in non-discounted equal periodic installment payments corresponding to the frequency and duration of the severance payments that the Employee would have been entitled to receive under the Normal Severance Period. The Pension Lump Sum Amount and the Savings Plan Lump Sum Amount shall be paid in cash within thirty (30) calendar days after the date the employment of the Employee terminates.

7. Termination of Employment — Other

The Severance Benefits shall only be payable upon an Employee's termination of employment due to a Qualifying Termination; provided, that if, following the occurrence of an Acceleration Event, an Employee is terminated due to the Employee's death or disability (as defined in the long-term disability plan in which the Employee is entitled to participate (whether or not the Employee voluntarily participates in such plan)) and, at the time of such termination,

the Employee had grounds to resign with Good Reason, such termination of employment shall be deemed to be a Qualifying Termination.

8. Administration of Plan

This Plan shall be administered by ITT, who shall have the exclusive right to interpret this Plan, adopt any rules and regulations for carrying out this Plan as may be appropriate and decide any and all matters arising under this Plan, including but not limited to the right to determine appeals. Subject to applicable Federal and state law, all interpretations and decisions by ITT shall be final, conclusive and binding on all parties affected thereby.

Notwithstanding the preceding paragraph, following an Acceleration Event, any controversy or claim arising out of or relating to this Plan, or the breach thereof, shall be settled by arbitration administered by the American Arbitration Association under its Commercial Arbitration Rules and the entire cost thereof shall be borne by the Company. The location of the arbitration proceedings shall be reasonably acceptable to the Employee. Judgment on the award rendered by the arbitrator(s) may be entered in any court having jurisdiction thereof. The Company shall pay all legal fees, costs of litigation, prejudgment interest, and other expenses which are incurred in good faith by the Employee as a result of the Company's refusal to provide any of the Severance Benefits to which the Employee becomes entitled under this Plan, or as a result of the Company's (or any third party's) contesting the validity, enforceability, or interpretation of this Plan, or as a result of any conflict between the Employee and the Company pertaining to this Plan. The Company shall pay such fees and expenses from the general assets of the Company.

9. Termination or Amendment

ITT may terminate or amend this Plan ("**Plan Change**") at any time except, that following the occurrence of (i) an Acceleration Event or (ii) a Potential Acceleration Event, no Plan Change that would adversely affect any Employee may be made without the prior written consent of such Employee affected thereby; provided, however, that (ii) above shall cease to apply if such Potential Acceleration Event does not result in the occurrence of an Acceleration Event.

10. Offset

Any Severance Benefits provided to an Employee under this Plan shall be offset in a manner consistent with Section 15 by reducing (x) any Severance Pay hereunder by any severance pay, salary continuation pay, termination pay or similar pay or allowance and (y) any other Severance Benefits hereunder by corresponding employee benefits, or outplacement services, which the Employee receives or is entitled to receive, (i) pursuant to any other Company policy, practice program or arrangement, (ii) pursuant to any Company employment agreement or other agreement with the Company, or (iii) by virtue of any law, custom or practice excluding, however, any unemployment compensation in the United States, unless the Employee voluntarily expressly waives (which the Employee shall have the exclusive right to do) in writing any such respective entitlement.

11. Excise Tax

In the event that it shall be determined that any payment or distribution by the Company to or for the benefit of the Employee (whether paid or payable or distributed or distributable pursuant to the terms of this Plan or otherwise, but determined without regard to any additional payments required under this Section 11 such payments or distributions being referred to herein as "**Payments**") would give rise to liability of the Employee for the excise tax imposed by Section 4999 of the Internal Revenue Code, as amended (the "**Code**"), or that any interest or penalties are incurred by the Employee with respect to such excise tax (such excise tax, together with any such interest and penalties, are hereinafter collectively referred to as the "**Excise Tax**"), then the Employee shall be entitled to receive an additional payment (the "**Gross-Up Payment**") in an amount such that after payment by the Employee of all Federal, state and local taxes (including any interest or penalties imposed with respect to such taxes), including without limitation, any income and employment taxes (and any interest and penalties imposed with respect to such taxes) and Excise Tax imposed upon the Gross-Up Payment, the Employee retains an amount of the Gross-Up Payment equal to the Excise Tax imposed upon the Payments.

All determinations required to be made under this Section 11, including whether and when a Gross-Up Payment is required and the amount of such Gross-Up Payment and the assumptions to be utilized in arriving at such determination, shall be made by a nationally recognized accounting firm mutually agreed to by the Employee and the Company (the "**Accounting Firm**") which shall provide detailed supporting calculations both to the Company and the Employee within ten (10) business days of the receipt of notice from the Employee that there has been a Payment, or such earlier time as is requested by the Company; provided that for purposes of determining the amount of any Gross-Up Payment, the Employee shall be deemed to pay federal income tax at the highest marginal rates applicable to individuals in the calendar year in which any such Gross-Up Payment is to be made and deemed to pay state and local income taxes at the highest effective rates applicable to individuals in the state or locality of the Employee's residence or place of employment, whichever is higher, in the calendar year in which any such Gross-Up Payment is to be made. All fees and expenses of the Accounting Firm shall be borne solely by the Company. Any Gross-Up Payment, as determined pursuant to this Section 11, shall be paid by the Company to the Employee when due. If the Accounting Firm determines that no Excise Tax is payable by the Employee, it shall so indicate to the Employee in writing. Any determination by the Accounting Firm shall be binding upon the Company and the Employee. As a result of the uncertainty in the application of Section 4999 of the Code, it is possible that the amount of the Gross-Up Payment determined by the Accounting Firm to be due to (or on behalf of) the Employee was lower than the amount actually due ("**Underpayment**"). In the event that the Company exhausts its remedies pursuant to this Section 11 and the Employee thereafter is required to make a payment of any Excise Tax, the Accounting Firm shall determine the amount of the Underpayment that has occurred and any such Underpayment shall be promptly paid by the Company to or for the benefit of the Employee.

The Employee shall notify the Company in writing of any claim by the Internal Revenue Service that, if successful, would require the payment by the Company of any Gross-Up Payment. Such notification shall be given as soon as practicable but no later than ten business days after Employee is informed in writing of such claim and shall apprise the Company of the nature of such claim and the date on which such claim is requested to be paid. Employee shall

not pay such claim prior to the expiration of the thirty day period following the date on which it gives such notice to the Company (or such shorter period ending on the date that any payment of taxes with respect to such claim is due). If the Company notifies Employee in writing prior to the expiration of such period that it desires to contest such claim, Employee shall (i) give the Company any information reasonably requested by the Company relating to such claim, (ii) take such action in connection with contesting such claim as the Company shall reasonably request in writing from time to time, including, without limitation, accepting legal representation with respect to such claim by an attorney reasonably selected by the Company, (iii) cooperate with the Company in good faith in order to effectively contest such claim and (iv) permit the Company to participate in any proceedings relating to such claim; provided, however, that the Company shall bear and pay directly all costs and expenses (including additional interest and penalties) incurred in connection with such contest and shall indemnify and hold the Employee harmless, on an after-tax basis, for any Excise Tax or income tax (including interest and penalties with respect thereto) imposed as a result of such representation and payment of costs and expenses. Without limitation on the foregoing provisions of this Section 11, the Company shall control all proceedings taken in connection with such contest and, at its sole option, may pursue or forego any and all administrative appeals, proceedings, hearings and conferences with the taxing authority in respect of such claim and may, at its sole option, either direct the Employee to pay the tax claimed and sue for a refund or contest the claim in any permissible manner, and the Employee agrees to prosecute such contest to a determination before any administrative tribunal, in a court of initial jurisdiction and in one or more appellate courts, as the Company shall determine; provided, further, that if the Company directs the Employee to pay such claim and sue for a refund, the Company shall advance the amount of such payment to the Employee, on an interest-free basis, and shall indemnify and hold the Employee harmless, on an after-tax basis, from any Excise Tax or income tax (including interest or penalties with respect thereto) imposed with respect to such advance or with respect to any imputed income with respect to such advance; provided, further, that if the Employee is required to extend the statute of limitations to enable the Company to contest such claim, the Employee may limit this extension solely to such contested amount. The Company's control of the contest shall be limited to issues with respect to which a Gross-Up Payment would be payable hereunder and the Employee shall be entitled to settle or contest, as the case may be, any other issue raised by the Internal Revenue Service or any other taxing authority.

If, after the receipt by the Employee of an amount paid or advanced by the Company pursuant to this Section 11, the Employee becomes entitled to receive any refund with respect to a Gross-Up Payment, the Employee shall (subject to the Company's complying with the requirements of Section 11) promptly pay to the Company the amount of such refund received (together with any interest paid or credited thereon after taxes applicable thereto). If, after the receipt by the Employee of an amount advanced by the Company pursuant to Section 11, a determination is made that the Employee shall not be entitled to any refund with respect to such claim and the Company does not notify the Employee in writing of its intent to contest such denial of refund prior to the expiration of thirty (30) days after such determination, then such advance shall be forgiven and shall not be required to be repaid and the amount of such advance shall offset, to the extent thereof, the amount of the Gross-Up Payment required to be paid.

In the event the Gross-Up Payment shall fail to make the Employee whole on an after-tax basis, whether by reason of either (i) an adjustment made by the Internal Revenue Service or

state taxing authority or (ii) because the Employee's actual effective tax rate was higher than the rate used by the Accounting Firm as determined pursuant to Section 11 for the year in which the Gross-Up Payment was made, the Gross-Up Payment shall be recalculated ("**Recalculated Gross-Up Payment**"), using the Employee's actual effective tax rate, once it is known for the calendar year in which the Gross-Up Payment is made, and the Company shall reimburse the Employee for the full amount of any amount by which the Recalculated Gross-Up Payment exceeds the Gross-Up Payment ("**Additional Gross-Up Payment**").

The Gross-Up Payment and any Additional Gross-Up Payment shall be paid out of the general assets of the Company. Any payments that the Company is required to pay to or on behalf of the Employee pursuant to this Section 11 shall be paid to the Employee within the time periods specified above; provided, however, that in no event shall such payments be made later than the end of the calendar year following the calendar year during which the Employee remits the corresponding Excise Tax payments to any taxing authority or incurs the corresponding expenses.

12. Miscellaneous

The Employee shall not be entitled to any notice of termination or pay in lieu thereof except as included as part of Severance Pay as provided herein.

Severance Benefits under this Plan are paid entirely by the Company from its general assets.

This Plan is not a contract of employment, does not guarantee the Employee employment for any specified period and does not limit the right of the Company to terminate the employment of the Employee at any time.

If an Employee should die while any amount is still payable to the Employee hereunder had the Employee continued to live, all such amounts shall be paid in accordance with this Plan to the Employee's designated heirs or, in the absence of such designation, to the Employee's estate.

The numbered section headings contained in this Plan are included solely for convenience of reference and shall not in any way affect the meaning of any provision of this Plan.

If, for any reason, any one or more of the provisions or part of a provision contained in this Plan shall be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision or part of a provision of this Plan not held so invalid, illegal or unenforceable, and each other provision or part of a provision shall to the full extent consistent with law remain in full force and effect.

The Plan shall be governed by and construed in accordance with the laws of the State of New York without regard to the conflicts of laws provisions thereof.

The Plan shall be binding on all successors and assigns of the ITT and an Employee.

13. Notices

Any notice and all other communication provided for in this Plan shall be in writing and shall be deemed to have been duly given when delivered by hand or overnight courier or three days after it has been mailed by United States registered mail, return receipt requested, postage prepaid, addressed to the respective addresses set forth below, or to such other address as either party may have furnished to the other in writing in accordance herewith, except that notice of change of address shall be effective only upon receipt.

If to the Company:

ITT Corporation
1133 Westchester Avenue
White Plains, New York 10604
Attention: General Counsel

If to Employee:

To the most recent address of Employee set forth in the personnel records of ITT.

14. Adoption Date

This Plan was initially adopted by ITT on April 15, 1997 ("**Adoption Date**") and does not apply to any termination of employment which occurred or which was communicated to the Employee prior to the Adoption Date.

15. Section 409A

This Plan is intended to comply with Section 409A of the Code and will be interpreted in a manner intended to comply with Section 409A of the Code. Notwithstanding anything herein to the contrary, (i) if at the time of the Employee's termination of employment with the Company the Employee is a "specified employee" as defined in Section 409A of the Code (and any related regulations or other pronouncements thereunder) and the deferral of the commencement of any payments or benefits otherwise payable hereunder as a result of such termination of employment is necessary in order to prevent any accelerated or additional tax under Section 409A of the Code, then the Company will defer the commencement of the payment of any such payments or benefits hereunder (without any reduction in such payments or benefits ultimately paid or provided to the Employee) until the date that is six months following the Employee's termination of employment with the Company (or the earliest date as is permitted under Section 409A of the Code), at which point all payments deferred pursuant to this Section 15 shall be paid to the Employee in a lump sum and (ii) if any other payments of money or other benefits due hereunder could cause the application of an accelerated or additional tax under Section 409A of the Code, such payments or other benefits shall be deferred if deferral will make such payment or other benefits compliant under Section 409A of the Code, or otherwise such payment or other benefits shall be restructured, to the extent possible, in a manner, determined by the Company, that does not cause such an accelerated or additional tax. To the extent any reimbursements or in-kind benefits due under this Plan constitute "deferred compensation" under Section 409A of the Code, any such reimbursements or in-kind benefits

shall be paid in a manner consistent with Treas. Reg. Section 1.409A-3(i)(1)(iv). Each payment made under this Plan shall be designated as a "separate payment" within the meaning of Section 409A of the Code. The Company shall consult with Employees in good faith regarding the implementation of the provisions of this section; provided that neither the Company nor any of its employees or representatives shall have any liability to Employees with respect thereto.

**ITT
DEFERRED COMPENSATION PLAN**

Effective as of January 1, 1995
as amended and restated as of December 31, 2008

ITT DEFERRED COMPENSATION PLAN

The ITT Deferred Compensation Plan (the "Plan") was established by ITT Corporation, a Delaware corporation ("Former ITT"), effective January 1, 1995. The purpose of the Plan is to provide each Participant with a means of deferring compensation in accordance with the terms of the Plan.

Effective as of December 19, 1995, Former ITT split into three separate companies — ITT Hartford Group, Inc., ITT Corporation, a Nevada corporation, and ITT Industries, Inc. an Indiana corporation (the "Corporation"), which is the successor to Former ITT.

Under the Employee Benefits Service and Liability Agreement dated November 1, 1995 (the "Agreement") the Corporation agreed to continue the Plan for eligible employees of the Corporation or of any of its subsidiaries and to transfer the liabilities attributable to participants who become employees of ITT Corporation, a Nevada corporation, on December 19, 1995 to ITT Corporation.

Effective as of January 1, 1996, the Plan was amended to accept the liabilities under the ITT Industries Excess Savings Plan attributable to salary deferrals, excess matching contributions, and excess floor contributions credited with respect to Base Salary deferred under this Plan and hold such amounts hereunder in accordance with the provisions of the ITT Industries Excess Savings Plan as set forth in Appendix A, attached hereto and made part hereof.

Effective as of October 1, 1997, January 1, 1998, April 1, 1998, January 1, 1999, and November 1, 2000, the Plan was further amended to make certain administration changes to unify the form and timing of Plan distributions, respectively. Effective as of March 1, 2004, the Plan was further amended to provide that a Participant may make a separate investment election with respect to future deferrals. Effective as of July 1, 2004, the Plan was amended and restated to make certain administrative changes and to unify the definition of Acceleration Event with other employee benefit plans of ITT Industries. Effective as of July 1, 2006, the Plan's name was revised to the ITT Deferred Compensation Plan.

The Plan is hereby amended and restated, effective as of December 31, 2008 to comply with the provisions of Section 409A of the Internal Revenue Code and regulations promulgated thereunder.

The provisions of this Plan as herein amended shall apply to amounts deferred on or after January 1, 2005. Amounts deferred under the provisions of the Plan prior to January 1, 2005, which were vested as of December 31, 2004, shall be subject to the provisions of the Plan as in effect on October 3, 2004 (attached hereto as Appendix C and made part hereof) without regard to any Plan amendments after October 3, 2004 which would constitute a material modification for Code Section 409A purposes, unless otherwise provided in Appendix B attached hereto.

All benefits payable under this Plan, which constitutes a nonqualified, unfunded deferred compensation plan for a select group of management or highly-compensated employees under Title I of ERISA, shall be paid out of the general assets of the Company.

ITT DEFERRED COMPENSATION PLAN

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ARTICLE 1 — DEFINITIONS

- 1.01 **“Acceleration Event”** shall mean an “Acceleration Event” as such term is defined under the provisions of the Plan as in effect on October 3, 2004.
- 1.02 **“Administrative Committee”** shall mean the person or persons appointed to administer the Plan as provided in Section 8.01.
- 1.03 **“Associated Company”** shall mean any division, subsidiary or affiliated company of the Corporation which is an Associated Company or Participating Unit, as such terms are defined in the ITT Salaried Retirement Plan (formerly known as ITT Industries Salaried Retirement Plan) as amended from time to time.
- 1.04 **“Base Salary”** shall mean the annual base fixed compensation paid periodically during the calendar year, determined prior to any pre-tax contributions under a “qualified cash or deferred arrangement” (as defined under Code Section 401(k) and its applicable regulations) or under a “cafeteria plan” (as defined under Code Section 125 and its applicable regulations) or a qualified transportation fringe benefit under Section 132(f) of the Code and any deferrals under Article 3, Appendix A or another unfunded deferred compensation plan maintained by the Corporation, but excluding any overtime, bonuses, foreign service allowances or any other form of compensation, except to the extent otherwise deemed “Base Salary” for purposes of the Plan under rules as are adopted by the Compensation and Personnel Committee.
- 1.05 **“Beneficiary”** shall mean the person or persons designated by a Participant pursuant to the provisions of Section 5.08 in a time and manner determined by the Administrative Committee to receive the amounts, if any, payable under the Plan upon the death of the Participant.
- 1.06 **“Bonus”** shall mean the cash amount, if any, awarded to an employee of the Company under the Company’s executive bonus program, or other compensation program designated by the Compensation and Personnel Committee as a bonus hereunder, provided that such amount qualifies as “Performance Based Compensation”.
- 1.07 **“Board of Directors”** or **“Board”** shall mean the Board of Directors of the Corporation.
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- 1.08 **“Change in Control”** shall mean a “Change in Control” as such term is defined in the ITT Excess Pension Plan IIA, as amended from time to time.
- 1.09 **“Code”** shall mean the Internal Revenue Code of 1986, as amended from time to time.
- 1.10 **“Company”** shall mean the Corporation and any successor thereto, with respect to its employees and any Associated Company authorized by the Compensation and Personnel Committee to participate in the Plan with respect to their employees.
- 1.11 **“Compensation and Personnel Committee”** shall mean the Compensation and Personnel Committee of the Board of Directors.
- 1.12 **“Corporation”** shall mean ITT Corporation, an Indiana corporation (successor by merger to and formerly known as ITT Industries, Inc.), or any successor by merger, purchase, or otherwise.
- 1.13 **“Deferral Account”** shall mean the bookkeeping account maintained for each Participant to record the amount of Bonus deferred on or after January 1, 2005 by a Participant in accordance with Article 3, adjusted pursuant to Article 4. The Deferral Account shall contain subaccounts, such as a Termination Subaccount, Special Purpose Subaccount(s), a Deferral 2005 Subaccount or any other subaccount established by the Administrative Committee.
- 1.14 **“Deferral Agreement”** shall mean the completed agreement, including any amendments, attachments and appendices thereto, in such form approved by the Administrative Committee, between an Eligible Executive and the Company, under which the Eligible Executive agrees to defer a portion of his Bonus.
- 1.15 **“Deferrals”** shall mean the amount of deferrals credited to a Participant pursuant to Section 3.02 with respect to Plan Years beginning on or after January 1, 2005.
- 1.16 **“Effective Date”** shall mean January 1, 1995.
- 1.17 **“Eligible Executive”** shall mean an Executive who is eligible to participate in the Plan as provided in Section 2.01.
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- 1.18 **“Employee”** shall mean a person who is employed by the Company.
- 1.19 **“Executive”** shall mean an Employee of the Company whose Base Salary equals or exceeds \$200,000 (or as adjusted from time to time by the Administrative Committee).
- 1.20 **“ERISA”** shall mean the Employee Retirement Income Security Act of 1974, as amended from time to time.
- 1.21 **“Grandfathered Deferral Account”** shall mean the bookkeeping account maintained for each Participant to record the amount of Bonus and/or Base Salary deferred prior to January 1, 2005 by a Participant in accordance with Article 3 of the Plan as in effect on or prior to October 3, 2004, adjusted pursuant to Article 4.
- 1.22 **“Participant”** shall mean, except as otherwise provided in Article 2, each Eligible Executive who has executed a Deferral Agreement pursuant to the requirements of Section 2.02 and is credited with an amount under Section 3.03.
- 1.23 **“Performance Based Compensation”** shall mean a bonus where the amount of, or entitlement to, the bonus is contingent on the satisfaction of pre-established organizational or individual performance criteria relating to a performance period of at least twelve (12) consecutive months. Organizational or individual performance criteria are considered pre-established if established in writing by not later than ninety (90) days after the commencement of the period of service to which the criteria relate, provided that the outcome is substantially uncertain at the time the criteria are established. The determination of whether a Bonus qualifies as “Performance-Based Compensation” will be made in accordance with Treas. Reg. Section 1.409A-1(e) and subsequent guidance.
- 1.24 **“Performance Period”** shall mean the period of a least twelve (12) months over which an individual or a company’s performance is measured for purposes of the Company’s bonus program.
- 1.25 **“Plan”** shall mean the ITT Deferred Compensation Plan (which was formerly known as the ITT Industries Deferred Compensation Plan, ITT Deferred Compensation Plan for 1995, the ITT Industries Deferred Compensation Plan for 1996 and the ITT Industries Deferred Compensation
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Plan for 1997) as set forth in this document and the appendices and schedules thereto, as it may be amended from time to time.

- 1.26 **“Plan Committee”** shall mean the ITT Pension Fund Trust and Investment Committee established from time to time pursuant to the terms of the ITT Salaried Retirement Plan.
- 1.27 **“Plan Year”** shall mean the calendar year.
- 1.28 **“Reporting Date”** shall mean each business day on which the New York Stock Exchange is open or such other business day as the Administrative Committee may determine.
- 1.29 **“Retirement”** shall mean, with respect to an Eligible Executive, any termination of employment by an Eligible Executive after the date the Eligible Executive is eligible for an early, normal or postponed retirement benefit under the ITT Salaried Retirement Plan (formerly known as the ITT Industries Salaried Retirement Plan), or would have been eligible had he been a participant in such Plan.
- 1.30 **“Special Purpose Subaccount(s)”** shall mean the bookkeeping account(s) described in Section 5.01(a) maintained to record deferrals that a Participant has elected to have paid pursuant to clause (ii) of Section 5.01(a), adjusted pursuant to Article 4.
- 1.31 **“Specified Distribution Date”** shall mean the specific date designated by a Participant pursuant to clause (ii) of Section 5.01(a).
- 1.32 **“Specified Employee”** shall mean a “Specified Employee” as such term is defined in the ITT Excess Pension Plan IIA, as amended from time to time.
- 1.33 **“Termination of Employment”** shall mean “Termination of Employment” as such term is defined in the ITT Excess Pension Plan IIA, as amended from time to time.
- 1.34 **“Termination Subaccount”** shall mean the bookkeeping account described in Section 5.01(a) maintained to record deferrals that a Participant has elected to have paid pursuant to clause (i) of Section 5.01(a), adjusted pursuant to Article 4.
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ARTICLE 2 — PARTICIPATION**2.01 Eligibility**

An Employee who is an Executive as of the last business day in June of a calendar year and who was employed by the Company or an Associated Company on the first day of the Performance Period beginning in that calendar year (or such other date in the first quarter of such Performance Period as specified by the Administrative Committee) shall be an Eligible Executive with respect to the Plan Year following such calendar year and thereby eligible to participate in this Plan and execute a Deferral Agreement authorizing Deferrals under this Plan with respect to his Bonus payable in the following Plan Year.

2.02 In General

- (a) An individual who is determined to be an Eligible Executive with respect to a Plan Year and who desires to have deferrals credited on his behalf pursuant to Article 3 for such Plan Year must execute a Deferral Agreement with the Administrative Committee authorizing Deferrals under this Plan for such year in accordance with the provisions of Sections 3.01 and 3.02.
- (b) The Deferral Agreement shall be in writing and be properly completed in the manner approved by the Administrative Committee, which shall be the sole judge of the proper completion thereof. Such Deferral Agreement shall provide, subject to the provisions of Section 3.02, for the deferral of a portion of the Eligible Executive's Bonus. The Deferral Agreement shall include such other provisions as the Administrative Committee deems appropriate.
- (c) An Eligible Executive shall become a Participant when Deferrals are first credited on his behalf pursuant to Article 3.

2.03 Termination of Participation

- (a) Participation shall cease when all benefits to which a Participant is entitled to hereunder are distributed to him.
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- (b) Subject to the provisions of Section 3.01, a Participant shall only be eligible to have Deferrals credited on his behalf in accordance with Article 3 for as long as he remains an Eligible Executive.
 - (c) If a former Participant who has incurred a Termination of Employment and whose participation in the Plan ceased under Section 2.03(a) is reemployed as an Eligible Executive, the former Participant may again become a Participant in accordance with the provisions of Section 2.02.
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ARTICLE 3 — DEFERRALS**3.01 Filing Requirements**

- (a) Subject to the following provisions of this Section, prior to the close of an annual enrollment period established by the Administrative Committee, an Eligible Executive who was employed by the Company or an Associated Company on the first day of a Performance Period (or such other date in the first quarter of such Performance Period as specified by the Administrative Committee) and who remains continuously employed through the date his Deferral Agreement is submitted, may elect to defer a portion of his Bonus earned with respect to that Performance Period which is otherwise payable in the next Plan Year; provided the Deferral Agreement is filed with Plan Administrative Committee (or its delegates) by the date established by the Administrative Committee but no later than six months before the end of the applicable Performance Period (the "Deferral Deadline Date"). Notwithstanding the foregoing, any election to defer Bonus that is made in accordance with this paragraph and that becomes payable as a result of the Participant's death or disability (as defined in Treas. Reg. Section 1.409A-1(e)) or upon a Change in Control prior to the satisfaction of the performance criteria, will be void.
 - (b) A Participant's election to defer a portion of his Bonus for any calendar year shall become irrevocable on the last day the deferral of such Bonus may be elected under Section 3.01(a), except as otherwise provided in Section 3.02(c) or 3.05. A Participant may revoke or change his election to defer a portion of Bonus at any time prior to the date the election becomes irrevocable. Any such revocation or change shall be made in a form and manner determined by the Administrative Committee.
 - (c) Subject to the provisions of Section 3.02, an Eligible Executive must file, in accordance with the provisions of Section 3.01(a), a new Deferral Agreement for each calendar year the Eligible Executive is eligible for and elects to defer a portion of his Bonus.
 - (d) Notwithstanding any provision of the Plan to the contrary, an Eligible Executive's election to defer Bonus shall only be effective if (1) the Eligible Executive files the Deferral Agreement with respect to such Bonus no later than the earlier of (A) the applicable Deferral Election Deadline (as defined in paragraph (a) above) or (B) the date that is six months before the end of the Performance Period with respect to which the Bonus is payable, (2) the Participant
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performs services continuously from the later of the beginning of the Performance Period or the date the criteria are established through the date the Deferral Agreement is submitted and (3) the Bonus is not readily ascertainable as of the date the Deferral Agreement is filed.

- (e) If a Participant ceases to be an Eligible Executive but continues to be employed by the Company or an Associated Company, he shall continue to be a Participant and his Deferral Agreement currently in effect for the Plan Year shall remain in force for the remainder of such Plan Year, but such Participant shall not be eligible to defer any portion of his Bonus earned in a subsequent Plan Year until such time as he shall once again become an Eligible Executive.
- (f) The Eligible Executive shall submit the Deferral Agreement in the manner specified by the Administrative Committee and a Deferral Agreement that is not timely filed shall be considered void and shall have no effect. The Administrative Committee shall establish procedures that govern deferral elections under the Plan.

3.02 **Amount of Deferral**

- (a) The Compensation and Personnel Committee or its delegate may determine prior to June 30th of a calendar year that an Eligible Executive may defer all or a portion of his Bonus that is otherwise payable in the next Plan Year. An Eligible Executive shall be given written notice of the opportunity to defer all or a portion of his Bonus at least ten business days prior to the date the Deferral Agreement for the applicable Plan Year must be submitted to the Administrative Committee.
 - (b) The Administrative Committee may establish maximum or minimum limits on the amount of any Bonus which may be deferred and/or the timing of such Deferral. Eligible Executives shall be given written notice of any such limits prior to the date they take effect.
 - (c) Notwithstanding anything in this Plan to the contrary, if an Eligible Executive:
 - (i) receives a withdrawal of deferred cash contributions on account of hardship from any plan which is maintained by the Company or an Associated Company and which meets the requirements of Code Section 401(k) (or any successor thereto), and
 - (ii) is precluded from making contributions to such 401(k) plan for at least 6 months after receipt of the hardship withdrawal,
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the Eligible Executive's Deferral Agreement with respect to Bonus in effect at that time shall be cancelled. Any Bonus payment which would have been deferred pursuant to that Deferral Agreement but for the application of this Section 3.02(c) shall be paid to the Eligible Executive as if he had not entered into the Deferral Agreement.

3.03 **Crediting to Deferral Account**

The amount of Deferrals shall be credited to such Participant's Deferral Account on the day such Bonus would have otherwise been paid to the Participant in the absence of a Deferral Agreement. Deferrals credited to a Participant's Deferral account which are deemed invested in a Corporation phantom stock fund will be credited based on the fair market value of the Corporation's common stock on that day.

3.04 **Vesting**

A Participant shall at all times be 100% vested in his Deferral Account.

3.05 **Unforeseeable Emergency**

Notwithstanding the foregoing provisions of this Article 3, the Compensation and Personnel Committee may completely cease Deferrals made under all Deferral Agreements then in effect with respect to the Participant upon the Participant's providing the Compensation and Personnel Committee with such evidence of an Unforeseeable Emergency (as defined in Section 5.05) as the Compensation and Personnel Committee may deem appropriate. In the event the Compensation and Personnel Committee finds the Participant has incurred an Unforeseeable Emergency (as defined in Section 5.05), the Participant's Deferral Agreement in effect at that time shall be cancelled and Deferrals shall cease as of the first practicable payroll period following the Compensation and Personnel Committee's decision. In the event the Participant wishes to recommence Deferrals starting in a subsequent calendar year, the Participant may do so by duly completing, executing, and filing the appropriate Deferral Agreement with the Administrative Committee in accordance with Section 3.01, provided said Participant is an Eligible Executive at that time.

ARTICLE 4 — MAINTENANCE OF ACCOUNTS**4.01 Adjustment of Account**

- (a) As of each Reporting Date, each Deferral Account (or subaccount thereof) and/or Grandfathered Deferral Account shall be credited or debited with the amount of earnings or losses with which such Deferral Account (or subaccounts thereof) and/or Grandfathered Deferral Account would have been credited or debited, assuming it had been invested in one or more investment funds, or earned the rate of return of one or more indices of investment performance, designated by the Administrative Committee and elected by the Participant pursuant to Section 4.02 for purposes of measuring the investment performance of such Accounts. Any portion of a Participant's Deferral Account (or subaccount thereof) and/or Grandfathered Deferral Account deemed invested in a Corporation phantom stock fund shall be credited with dividend equivalents, as and when dividends are paid on the Corporation's common stock, which shall be deemed invested in additional shares of such phantom stock.
- (b) The Plan Committee shall designate at least one investment fund or index of investment performance and may designate other investment funds or investment indices (including a Corporation phantom stock fund) to be used to measure the investment performance of a Participant's Deferral Account and/or Grandfathered Deferral Account. The designation of any such investment funds or indices shall not require the Corporation to invest or earmark their general assets in any specific manner. The Plan Committee may change the designation of investment funds or indices from time to time, in its sole discretion, and any such change shall not be deemed to be an amendment affecting Participants' rights under Section 6.02.

4.02 Investment Performance Elections

In the event the Plan Committee designates more than one investment fund or index of investment performance under Section 4.01, each Participant shall file an investment election with the Administrative Committee or its delegate with respect to the investment of his Deferral Account (or subaccount thereof) and/or Grandfathered Deferral Account within such time period and in such manner as the Administrative Committee may prescribe. The election shall designate the investment fund or funds or index or indices of investment performance which shall be used

to measure the investment performance of the Participant's Deferral Account (or subaccount thereof) and/or Grandfathered Deferral Account.

4.03 **Changing Investment Elections**

In the event the Plan Committee designates more than one investment fund or index of investment performance under Section 4.01, a Participant may change his election of the investment fund or funds or index or indices of investment performance used to measure the future investment performance of the existing account balance of his Deferral Account (or subaccount thereof) and/or his Grandfathered Deferral Account, by filing an appropriate written notice with the Administrative Committee or its delegate within such time periods and in such manner as prescribed by the Administrative Committee, in advance of the date such election is effective. The election shall be effective as soon as administratively practicable after the date on which notice is timely filed or at such other time as prescribed by the Administrative Committee on a basis uniformly applicable to all Participants similarly situated.

A Participant may change his or her election of the investment fund or funds or index or indices of investment performance used to measure the future investment performance of his future Deferrals within such time periods and in such manner prescribed by the Administrative Committee. The election shall be effective as soon as administratively practicable after the date in which notice is timely filed or at such other time as the Administrative Committee shall determine. In the absence of such an election, the Participant's future Deferrals will be invested in accordance with his existing investment election with respect to the current balance of his Deferral Account (or subaccount thereof), provided, however, if such Participant is an "insider" (as defined in Section 16 of the Securities Exchange Act of 1934) and his existing investment elections include an investment in the Corporation's phantom stock fund, his future Deferrals shall be allocated pro rata among the other funds or indices on his existing investment election based on the proportions as designated on such existing investment election.

4.04 **Individual Accounts**

- (a) The Administrative Committee shall maintain, or cause to be maintained on the books of the Corporation, records showing the individual balance of each Participant's Deferral Account (or subaccount thereof) and/or Grandfathered Deferral Account. The Participant's Deferral Account (or subaccount thereof) shall be credited with the Deferrals made by the Participant pursuant to the provisions of Article 3 and the
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Participant's Deferral Account (or subaccount thereof) and/or Grandfathered Deferral Account shall be credited and debited, as the case may be, with hypothetical investment results determined pursuant to this Article 4. At least once a year each Participant shall be furnished with a statement setting forth the value of his Deferral Account (or subaccount thereof) and/or Grandfathered Deferral Account.

- (b) Within each Participant's Deferral Account and/or Grandfathered Deferral Account, separate subaccounts shall be maintained to the extent necessary for the administration of the Plan.
- (c) The accounts established under this Article shall be hypothetical in nature and shall be maintained for bookkeeping purposes only so that hypothetical gains or losses on the deferrals made to the Plan can be credited or debited, as the case may be.

4.05 **Valuation of Accounts**

- (a) The Administrative Committee shall value or cause to be valued each Participant's Deferral Account and/or Grandfathered Deferral Account at least monthly. On each Reporting Date there shall be allocated to the Deferral Account and/or Grandfathered Deferral Account of each Participant the appropriate amount determined in accordance with Section 4.01.
- (b) Whenever an event requires a determination of the value of a Participant's Deferral Account and/or Grandfathered Deferral Account, the value shall be computed as of the Reporting Date immediately preceding the date of the event, except as otherwise specified in this Plan.

4.06 **Compliance with Securities Laws and Trading Policies and Procedures**

A Participant's ability to direct investments into or out of a Corporation phantom stock fund shall be subject to such terms, conditions and procedures as the Plan Administrator may prescribe from time to time to assure compliance with Rule 16b-3 promulgated under Section 16(b) of the Securities Exchange Act of 1934, as amended ("Rule 16b-3"), and other applicable requirements. Such procedures also may limit or restrict a Participant's ability to make (or modify previously made) Deferrals and distribution elections under the Plan. In furtherance, and not in limitation, of the foregoing, to the extent a Participant acquires any interest in an equity security under the Plan

for purposes of Section 16(b), the Participant shall not dispose of that interest within six (6) months, unless such disposition is exempted by Section 16(b) or any rules or regulations promulgated thereunder or with respect thereto. Any election by a Participant to invest any amount in a Corporation phantom stock fund, and any elections to transfer amounts from or to the Corporation phantom stock fund to or from any other investment fund or indices, shall be subject to all applicable securities law requirements, including but not limited to the those reflected in the prior sentence and Rule 16b-3, as well as all applicable stock trading policies and procedures of the Corporation. To the extent any election violates any securities law requirement, applicable trading policies and procedures of the Corporation, or any terms or conditions established from time to time by the Administrative Committee relating to such elections (whether or not reflected in the Plan), the election shall be void.

ARTICLE 5 — PAYMENT OF BENEFITS**5.01 Commencement of Payment**

- (a) Subject to the limitations in Section 5.01(b) and except as otherwise provided below, each time a Participant completes a Deferral Agreement, a Participant shall designate on each applicable Deferral Agreement whether the related Deferrals, adjusted in accordance with Article 4, will be allocated to one of the following subaccounts:
- (i) **Termination Subaccount**
Except as otherwise provided in the Plan, amounts allocated to the Termination Subaccount (after adjustment pursuant to Article 4) will be paid on the first business day of the seventh month following the Participant's Termination of Employment.
- (ii) **Special Purpose Subaccount**
Except as otherwise provided in the Plan, amounts allocated to the Special Purpose Subaccount (after adjustment pursuant to Article 4) will be paid as elected by the Participant, on either (1) the date specified by the Participant, or (2) the earlier of the date specified by the Participant or the first business day of the seventh month following the Participant's Termination of Employment. The Specified Distribution Date for the Special Purpose Subaccount shall be the month and year designated by the Participant on his or her initial Deferral Agreement establishing that Special Purpose Subaccount, unless otherwise modified in accordance with the provisions of Section 5.03.
- A Participant may elect to have all of his deferred Bonus allocated to the Termination Retirement Subaccount or the Special Purpose Subaccount or to have a specified portion of his Bonus allocated to one or more Subaccounts.
- (b) A Participant's ability to elect to have his deferred Bonus allocated to the Special Purpose Subaccount and the Participant's selection of a Specified Distribution Date shall be subject to the following limitations:
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- (i) deferred Bonus may only be allocated to the Participant's Special Purpose Subaccount if the Specified Distribution Date applicable to that subaccount is at least twelve (12) months after the day of the Plan Year in which the Bonus being deferred was earned; and
 - (ii) a Participant may have only two Special Purpose Subaccounts established on his behalf (and only one Specified Distribution Date applicable to each Special Purpose Subaccount) at any one time; provided, however, that if the Participant is prohibited from allocating any portion of a Deferral to his existing Special Purpose Subaccounts because of the limitation contained in Section 5.01(b)(i), the Participant may request pursuant to the procedures established by the Administrative Committee that a new Special Purpose Subaccount be established on his behalf in accordance with the provisions of Section 5.01.
- (c) (i) Except as otherwise provided below, and notwithstanding the foregoing with respect to an Eligible Executive who completed a Deferral Agreement with respect to the Plan Year beginning as of January 1, 2005, the distribution of the Participant's Deferral 2005 Subaccount (as defined below) shall commence, pursuant to Section 5.02, on the occurrence of the distribution event made available under procedures established from time to time by the Administrative Committee and as designated by the Participant on his 2005 Deferral Agreement ("Common Distribution Date"). For purposes of this Article a Participant Deferral 2005 Subaccount shall mean the bookkeeping account maintained for each Participant to record the amount of Bonus deferred in 2005 by a Participant in accordance with Article 3, adjusted as provided in Article 4.
- (ii) Notwithstanding the foregoing, in the event a Participant incurs a Termination of Employment for reasons other than Retirement prior to his Common Distribution Date, the distribution of his Deferral 2005 SubAccount shall commence, pursuant to Section 5.02, on the first business day of the seventh month following his Termination of Employment; provided, however, if a Participant has prior to the date of his Termination of Employment, in accordance with the procedures prescribed by the Administrative Committee, made a special termination election, the distribution of his Deferral 2005 Account shall commence, pursuant to Section
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5.02, on the later of (1) the occurrence of the Termination Distribution Date designated by the Participant on the appropriate special termination election form prescribed by the Administrative Committee ("Special Effective Termination Distribution Date") or (2) the first business day of the seventh month following such Participant's Termination of Employment.

- (iii) In the event a Participant elects pursuant to the foregoing provisions of this paragraph (c) to defer to a specific calendar date in a specific calendar year, he may not elect a calendar date which occurs prior to the close of the calendar year following the calendar year in which he executed the Deferral Agreement.
- (d) A Participant shall not change his designation of the distribution event made pursuant to the foregoing provisions of this Section 5.01 which entitles him to a distribution of his Deferral Account, except as otherwise provided in Section 5.03 below.
- (e) Notwithstanding any Plan provisions to the contrary, the distribution of a Participant's Grandfathered Deferral Account shall be made in accordance with provisions of the Plan as in effect on October 3, 2004, as modified in Appendix B and without regard to any Plan amendments after that date which would constitute a material modification for Code Section 409A purposes.

5.02 **Method of Payment**

- (a) Except as otherwise provided in paragraphs (b) and (c) below:
 - (i) At the time a Participant makes an election of his distribution event pursuant to the provisions of Sections 5.01(a) or (c) the Participant shall elect that the portion of his Deferral Account (or any subaccount thereof) to which such distribution event is applicable shall be made payable as of such distribution event under one of the following methods of payment:
 - (1) ratable annual cash installments for a period of years, not to exceed fifteen (15) years, designated by the Participant on his Deferral Agreement, or
 - (2) a single lump sum cash payment.
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- (ii) Notwithstanding the foregoing, at the time a Participant makes an election of a Special Effective Termination Distribution Date pursuant to the provisions of Section 5.01(c)(ii), the Participant shall elect that the portion of his Deferral Account be distributed on his Special Effective Termination Distribution Date shall be made payable under one of the following methods of payment:
- (1) ratable annual cash installments for a period of five (5) years, or
 - (2) a single lump sum cash payment.

During an installment payment period, the Participant's Deferral Account (or subaccounts thereof) shall continue to be credited with earnings or losses as described in Section 4.01. The value of the first installment or lump sum payment shall be determined as of the first Reporting Date coincident with or next following the distribution event designated pursuant to Section 5.01 or 5.03 with respect to that portion of his Deferral Account. Subsequent installments, if any, shall be paid on the first business day following the anniversary of said distribution event in the following calendar year and each subsequent year of the installment period. The amount of each installment shall equal the balance in the applicable portion of the Participant's Deferral Account (or subaccounts) as of each Reporting Date of determination divided by the number of remaining installments (including the installment being determined).

- (b) Notwithstanding the foregoing, in the event payment of a Participant's Deferral 2005 Subaccount is to be made pursuant to Section 5.01(c) to a Participant who does not have a Special Effective Termination Distribution Date election in effect as of his date of Termination of Employment, a lump sum payment of his Deferral 2005 Subaccount shall be made as of the first business day of the seventh month following the Participant's Termination of Employment.
 - (c) A Participant shall not change his method of payment, except as otherwise provided in Section 5.03.
 - (d) Notwithstanding any Plan provision to the contrary, the form of distribution of a Participant's Grandfathered Deferral Account shall be made in accordance with the provisions of the Plan as in effect on October 3, 2004, as modified in Appendix B and
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without regard to any Plan amendments after that date which would constitute a material modification for Code Section 409A purposes.

5.03 **Change of Distribution Election**

(a) *Changes in Election*

In accordance with such procedures as the Administrative Committee may prescribe, a Participant may elect to delay the payment of Deferrals by specifying a new Common Distribution Date, a Special Effective Termination Distribution Date or a Specified Distribution Date applicable to a portion of his Deferral Account (or subaccounts thereof) payable at said dates by duly completing, executing and filing with the Administrative Committee a new election, on an appropriate form designated by the Administrative Committee, subject to the following limitations:

- (i) such new election must be made at least twelve (12) months prior to the Common Distribution Date, Special Effective Termination Distribution Date or Specified Distribution Date, whichever is then in effect with respect to that portion of his Deferral Account (or subaccounts thereof), and such election will not become effective until at least twelve (12) months after the date on which the new election is made, and
- (ii) the new Common Distribution Date, Special Effective Termination Distribution Date or Specified Distribution Date, whichever is applicable, shall be a date that is not less than five (5) years from the Common Distribution Date, Special Effective Termination Distribution Date or Specified Distribution Date then in effect.

A Participant may elect to delay a Common Distribution Date, Special Effective Termination Distribution Date or Specified Distribution Date applicable to a specified portion of his Deferral Account pursuant to this Section 5.03(a) more than once, provided that all such elections comply with the provisions of this Section 5.03(a).

- (b) In accordance with such procedures as the Administrative Committee may prescribe, a Participant may elect to change the form of payment election under Section 5.02 applicable to the portion of his Deferral Account (or subaccounts thereof) that is deferred to a Common Distribution Date, Special Effective Termination Distribution Date or Specified
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Distribution Date by duly completing, executing and filing with the Administrative Committee a new form of payment election, subject to the following limitations:

- (i) such new election must be made at least twelve (12) months prior to the Common Distribution Date, Special Effective Termination Distribution Date or Specified Distribution Date, whichever is then in effect with respect to that portion of his Deferral Account (or subaccounts thereof), and such election will not become effective until at least twelve (12) months after the date on which the election is made, and
 - (ii) the distribution of that portion of his Deferral Account (or subaccounts thereof) shall be deferred for five (5) years from the date such amount would otherwise have been paid absent this new election.
 - (c) A Participant may change the election as applicable to his Grandfathered Deferral Accounts pursuant to the provisions of the Plan as in effect on October 3, 2004, as modified in Appendix B and without regard to any Plan amendments after that date which would constitute a material modification for Code Section 409A purposes.
 - (d) It is the Company's intent that the provisions of Section 5.03(a) and Section 5.03(b) comply with the subsequent election provisions in Code Section 409A(a)(4)(C), related regulations and other applicable guidance, and this Section 5.03(a) and Section 5.03(b) shall be interpreted accordingly. The Administrative Committee may impose additional restrictions or conditions on a Participant's ability to elect a new specified distribution year pursuant to this Section 5.03(a) and Section 5.03(b). The Participant may revoke or change his election pursuant to this Section 5.03(a) and Section 5.03(b) at any time prior to the deadline for making such election, subject to such restrictions as the Administrative Committee may establish from time to time. Any such revocation or change shall be made in a form and manner determined by the Administrative Committee. For avoidance of doubt, a Participant may not elect to change the form of payment or delay payment of amounts deferred to Retirement or Termination of Employment. In addition a Participant may not transfer amounts between his Termination Subaccount and any Special Purpose Subaccount, or between Special Purposes Subaccounts.
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(e) *Transition Rules*

Notwithstanding anything in the Plan to the contrary, the Administrative Committee may, in its discretion and subject to such terms and conditions as it may from time to time prescribe, allow Participants to change the time of payment or portion of payment of all or a portion of their Deferral Accounts (or subaccounts) prior to January 1, 2009 in accordance with applicable transition relief provided with respect to Code Section 409A, dated regulations and other applicable guidance.

5.04 **Death**

Notwithstanding any Plan provisions to the contrary, if a Participant dies before payment of the entire balance of his Deferral Account, an amount equal to the unpaid portion thereof as of the date of his death shall be payable in one lump sum to his Beneficiary. Such payment will be made in the month following the month the Participant's death occurs.

5.05 **Hardship**

Notwithstanding anything in the Plan or in a Deferral Agreement to the contrary, the Administrative Committee may, if it determines an Unforeseeable Emergency exists which cannot be satisfied from other sources, approve a request by the Participant for a withdrawal from his Deferral Account. Such request shall be made in a time and manner determined by the Administrative Committee. The payment made from a Participant's Deferral Account pursuant to the provisions of this Section 5.05 shall be limited to the amount reasonably necessary to satisfy the emergency need (which may include amounts necessary to pay any Federal, state, local or foreign income taxes or penalties reasonably anticipated to result from the distribution). Determinations of amounts necessary to satisfy the emergency need must take into account any additional compensation that is available, other than additional compensation that, due to the Unforeseeable Emergency, is available under another nonqualified deferred compensation plan but that has not actually been paid. This Section 5.05 is intended to comply with Code Section 409A, related regulations and any other applicable guidance and shall be interpreted accordingly so that distributions shall be permitted under this Section 5.05 only to the extent they comply with Code Section 409A and the regulations promulgated thereunder. For purposes of this Section 5.05 an "Unforeseeable Emergency" shall mean a severe financial hardship to a Participant resulting from (a) an illness or accident of the Participant or the Participant's spouse, beneficiary or dependent (as defined in Code Section 152, without regard to Section 152(b)(1), (b)(2) and (d)(1)(B)), (b) loss of the Participant's property due to casualty (including the need to rebuild a

home following damage to the home not otherwise covered by insurance) or (c) other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant; provided, however, that an Unforeseeable Emergency shall only exist to the extent the severe financial hardship would constitute an Unforeseeable Emergency under Code Section 409A, related regulations and other applicable guidance. Such payments shall be paid in a single lump sum within ninety (90) days of the date the Unforeseeable Emergency payment is approved by the Administrative Committee.

5.06 Payment upon the Occurrence of a Change in Control

Notwithstanding the foregoing provisions of this Article 5, upon the occurrence of a Change in Control, every Participant who is an Eligible Executive or a former Eligible Executive shall automatically receive the entire balance of his Deferral Accounts in a single lump sum payment. Such lump sum payment shall be made as soon as practicable on or after the Change in Control. If such Participant dies after such Change in Control, but before receiving such payment, it shall be made to his Beneficiary.

For avoidance of doubt, upon the occurrence of an Acceleration Event (either prior, after or simultaneously with the occurrence of a Change of Control), the provisions of Section 5.06 of the Plan as in effect on October 3, 2004 without regard to any Plan amendments after October 3, 2004 which would constitute a material modification for Code Section 409A purposes, shall be applicable to a Participant's Grandfathered Deferral Account.

5.07 Acceleration of or Delay in Payments

The Administrative Committee, in its sole and absolute discretion, may elect to accelerate the time or form of payment of a benefit owed to the Participant hereunder, provided such acceleration is permitted under Treas. Reg. Section 1.409A-3(j)(4). The Administrative Committee may also, in its sole and absolute discretion, delay the time for payment of a benefit owed to the Participant hereunder, to the extent permitted under Treas. Reg. Section 1.409A-2(b)(7).

5.08 Designation of Beneficiary

Each Participant shall file with the Administrative Committee a written designation of one or more persons as the Beneficiary who shall be entitled to receive the amount, if any, payable under the Plan upon his death pursuant to Section 5.04 or 5.06. A Participant may, from time to time,

revoke or change his Beneficiary designation without the consent of any prior Beneficiary by filing a new designation with the Administrative Committee. The last such designation received by the Administrative Committee shall be controlling; provided, however, that no designation, or change or revocation thereof, shall be effective unless received by the Administrative Committee prior to the Participant's death, and in no event shall it be effective as of a date prior to such receipt. If no such Beneficiary designation is in effect at the time of a Participant's death, or if no designated Beneficiary survives the Participant, the Participant's surviving spouse, if any, shall be his Beneficiary, otherwise the person designated as beneficiary by the Participant under the ITT Salaried Group Life Insurance Plan shall be his Beneficiary, and shall receive the payment of the amount, if any, payable under the Plan upon his death; provided, however, that if the life insurance benefit has been assigned, the Beneficiary shall be the Participant's estate.

5.09 **Debiting Accounts**

Any amounts debited from a Participant's Deferral Account or Grandfathered Deferral Account by reason of a distribution, withdrawal, or otherwise under this Article 5, shall be debited from the Participant's Deferral Account and/or Grandfathered Deferral Account and the investment options under which such amount is credited, and such other accounts, subaccounts, options, or other allocations, as determined by the Administrative Committee on a basis uniformly applicable to all Participants similarly situated.

ARTICLE 6 — AMENDMENT OR TERMINATION**6.01 Right to Terminate**

Notwithstanding any Plan provision to the contrary, the Corporation may, by action of the Board of Directors, terminate this Plan and the related Deferral Agreements at any time. To the extent consistent with the rules relating to plan terminations and liquidations in Treasury Regulation Section 1.409A-3(j)(4)(ix) or otherwise consistent with Code Section 409A, the Board may provide that, without the prior written consent of Participants, all of the Participants' Deferral Accounts shall be distributed in a lump sum upon termination of the Plan. Unless so distributed, in the event of a Plan termination, the Corporation shall continue to maintain the Deferral Accounts until distributed pursuant to the terms of the Plan and Participants shall remain 100% vested in all amounts credited to their Deferral Accounts. For avoidance of doubt, in the event of a Plan termination, distribution of a Grandfathered Deferral Account shall be governed by the provisions of the Plan as in effect on October 3, 2004.

6.02 Right to Amend

The Compensation and Personnel Committee or its delegate may amend or modify this Plan and the related Deferral Agreements in any way either retroactively or prospectively. However, except that without the consent of the Participant or Beneficiary, if applicable, no amendment or modification shall reduce or diminish such person's right to receive any benefit accrued hereunder prior to the date of such amendment or modification, and after the occurrence of an Acceleration Event, no modification or amendment shall be made to Section 5.06 or Section 6.01 under Appendix A, attached hereto and made part hereof. A change in any investment fund or index under Section 4.01 shall not be deemed to adversely affect any Participant's rights to his Deferral Account or Grandfathered Deferral Account. Notice of an amendment or modification to the Plan shall be given in writing to each Participant and Beneficiary of a deceased Participant having an interest in the Plan.

ARTICLE 7 — GENERAL PROVISIONS

- 7.01 **Funding**
All amounts payable in accordance with this Plan shall constitute a general unsecured obligation of the Corporation. Such amounts, as well as any administrative costs relating to the Plan, shall be paid out of the general assets of the Corporation. The Administrative Committee may decide that a Participant's Deferral Account and/or Grandfather Deferral Account may be reduced to reflect allocable administrative expenses.
- 7.02 **No Contract of Employment**
The Plan is not a contract of employment and the terms of employment of any Participant shall not be affected in any way by this Plan or related instruments, except as specifically provided therein. The establishment of the Plan shall not be construed as conferring any legal rights upon any person for a continuation of employment, nor shall it interfere with the rights of the Company to discharge any person and to treat him without regard to the effect which such treatment might have upon him under this Plan. Each Participant and all persons who may have or claim any right by reason of his participation shall be bound by the terms of this Plan and all Deferral Agreements entered into pursuant thereto.
- 7.03 **Unsecured Interest**
Neither the Corporation, the Company nor the Compensation and Personnel Committee nor the Administrative Committee nor the Plan Committee in any way guarantees the performance of the investment funds or indices a Participant may designate under Article 4. No special or separate fund shall be established, and no segregation of assets shall be made, to assure the payments thereunder. No Participant hereunder shall have any right, title, or interest whatsoever in any specific assets of the Corporation. Nothing contained in this Plan and no action taken pursuant to its provisions shall create or be construed to create a trust of any kind or a fiduciary relationship between the Corporation and a Participant or any other person. To the extent that any person acquires a right to receive payments under this Plan, such right shall be no greater than the right of any unsecured creditor of the Corporation.
- 7.04 **Facility of Payment**
In the event that the Administrative Committee shall find that a Participant or Beneficiary is incompetent to care for his affairs or is a minor, the Administrative Committee may direct that
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any benefit payment due him, unless claim shall have been made therefore by a duly appointed legal representative, be paid on his behalf to his spouse, a child, a parent or other relative, and any such payment so made shall thereby be a complete discharge of the liability of the Coporation, the Company and the Plan for that payment.

7.05 **Withholding Taxes**

The Corporation shall have the right to deduct from each payment to be made under the Plan any required withholding taxes.

7.06 **Nonalienation**

Subject to any applicable law, no benefit under the Plan shall be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance or charge, and any attempt to do so shall be void, nor shall any such benefit be in any manner liable for or subject to garnishment, attachment, execution or levy, or liable for or subject to the debts, contracts, liabilities, engagements or torts of a person entitled to such benefits.

7.07 **Transfers**

- (a) Notwithstanding any Plan provision to the contrary, in the event the Corporation (i) sells, causes the sale of, or sold the stock or assets of any employing company in the controlled group of the Corporation to a third party or (ii) distributes or distributed to the holders of shares of the Corporation's common stock all of the outstanding shares of common stock of a subsidiary or subsidiaries of the Corporation and, as a result of such sale or distribution, such company or its employees are no longer eligible to participate hereunder, the Compensation and Personnel Committee, in its sole discretion, may treat such event as not constituting a Termination of Employment and direct that the liabilities with respect to the benefits accrued under this Plan for a Participant who, as a result of such sale or distribution, is no longer eligible to participate in this Plan, shall (with the approval of the new employer), be transferred to a similar plan of such new employer and become a liability thereunder, provided that no provisions of such new plan or amendment thereof shall reduce the balance of the Participants' Deferral Accounts and/or Grandfathered deferral Accounts as of the date of such transfer, as adjusted for investment gains or losses. Upon such transfer (and acceptance thereof), the liabilities for such transferred benefits shall become the obligation of the new employer and the liability under this Plan for such benefits shall cease.
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- (b) Notwithstanding any Plan provision to the contrary, at the discretion and direction of the Corporation, liabilities with respect to benefits accrued by a Participant under a plan maintained by such Participant's former employer may be transferred to this Plan and upon such transfer become the obligation of the Corporation.

7.08 **Claims Procedure**

(a) *Submission of Claims*

Claims for benefits under the Plan shall be submitted in writing to the Administrative Committee or to an individual designated by the Administrative Committee for this purpose.

(b) *Denial of Claim*

If any claim for benefits is wholly or partially denied, the claimant shall be given written notice within ninety (90) days following the date on which the claim is filed, which notice shall set forth the following:

- (i) The specific reason or reasons for the denial;
- (ii) Specific reference to pertinent Plan provisions on which the denial is based;
- (iii) A description of any additional material or information necessary for the claimant to perfect the claim and an explanation of why such material or information is necessary;
- (iv) An explanation of the Plan's claim review procedure; and
- (v) The time limits for requesting a review under this Section.

If special circumstances require an extension of time for processing the claim, written notice of an extension shall be furnished to the claimant prior to the end of the initial period of ninety (90) days following the date on which the claim is filed. Such an extension may not exceed a period of ninety (90) days beyond the end of said initial period.

If the claim has not been granted and written notice of the denial of the claim, or that an extension has been granted is not furnished within ninety (90) days following the date on which the claim is filed, the claim shall be deemed denied for the purpose of proceeding to the claim review procedure.

(c) *Claim Review Procedure*

The claimant or his authorized representative shall have sixty (60) days after receipt of written notification of denial of a claim to request a review of the denial by making written request to the Administrative Committee, and may review pertinent documents and submit issues and comments in writing within such 60-day period.

Not later than sixty (60) days after receipt of the request for review, the persons designated by the Company to hear such appeals (the "Appeals Committee") shall render and furnish to the claimant a written decision, which shall include specific reasons for the decision and shall make specific references to pertinent Plan provisions on which it is based. If special circumstances require an extension of time for processing, the decision shall be rendered as soon as possible, but not later than 120 days after receipt of the request for review, provided that written notice and explanation of the delay are given to the claimant prior to commencement of the extension. Such decision by the Appeals Committee shall not be subject to further review. If a decision on review is not furnished to a claimant within the specified time period, the claim shall be deemed to have been denied on review.

(d) *Exhaustion of Remedy*

No claimant shall institute any action or proceeding in any state or federal court of law or equity or before any administrative tribunal or arbitrator for a claim for benefits under the Plan until the claimant has first exhausted the procedures set forth in this section.

7.09 **Payment of Expenses**

All administrative expenses of the Plan and all benefits under the Plan shall be paid from the general assets of the Corporation, except as otherwise may be provided herein.

7.10 **Discharge of Corporation's Obligation**

The payment by the Corporation of the benefits due under each and every Deferral Agreement to the Participant or his Beneficiary shall discharge the Corporation's obligation under the Plan, and the Participant or Beneficiary shall have no further rights under this Plan or the Deferral Agreements upon receipt by the appropriate person of all such benefits.

7.11 Successors

The Plan shall be binding upon the successors and assigns of the Corporation, whether such succession is by purchase, merger or otherwise.

7.12 Construction

- (a) The Plan is intended to constitute an unfunded deferred compensation arrangement for a select group of management or highly compensated employees and, therefore, is exempt from the requirements of parts 2, 3 and 4 of Subtitle B of Title 1 of ERISA (pursuant to Sections 201(2), 301(a)(3) and 401(a)(1) of ERISA), and all rights hereunder shall be governed by ERISA. Subject to the preceding sentence, the Plan shall be construed, regulated and administered in accordance with the laws of the State of New York, subject to the provisions of applicable federal laws.
 - (b) The masculine pronoun shall mean the feminine wherever appropriate.
 - (c) The illegality of any particular provision of this document shall not affect the other provisions, and the document shall be construed in all respects as if such invalid provision were omitted.
-

ARTICLE 8 — ADMINISTRATION

8.01 Administration

- (a) The Administrative Committee shall mean the ITT Benefits Administration Committee established from time to time pursuant to the terms of the ITT Salaried Retirement Plan. The Administrative Committee shall have the exclusive responsibility and complete discretionary authority to control the operation, management and administration of the Plan, with all powers necessary to enable it properly to carry out such responsibilities, including, but not limited to, the power to interpret the Plan and any related documents, to establish procedures for making any elections called for under the Plan, to make factual determinations regarding any and all matters arising hereunder, including, but not limited to, the right to determine eligibility for benefits, the right to construe the terms of the Plan, the right to remedy possible ambiguities, inequities, inconsistencies or omissions, and the right to resolve all interpretive, equitable or other questions arising under the Plan. The decisions of the Administrative Committee or such other party as is authorized under the terms of any grantor trust on all matters shall be final, binding and conclusive on all persons to the extent permitted by law.
 - (b) To the extent permitted by law, all agents and representatives of the Administrative Committee shall be indemnified by the Corporation and held harmless against any claims and the expenses of defending against such claims, resulting from any action or conduct relating to the administration of the Plan, except claims arising from gross negligence, willful neglect or willful misconduct.
 - (c) With respect to benefits hereunder subject to Code Section 409A, the Plan is intended to comply with the requirements of Code Section 409A and the provisions hereof shall be interpreted in a manner that satisfies the requirements of Code Section 409A and the regulations thereunder, and the Plan shall be operated accordingly. If any provision of the Plan would otherwise frustrate or conflict with this intent, the provision will be interpreted and deemed amended so as to avoid this conflict. The Plan has been administered in good faith compliance with Section 409A and the guidance issued thereunder from January 1, 2005 through December 31, 2008.
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APPENDIX A

**SPECIAL PROVISIONS APPLICABLE TO CERTAIN PARTICIPANTS
WHO DEFERRED BASE SALARY UNDER THIS PLAN**

This Appendix A is applicable only with respect to a Participant who deferred all or a portion of his Base Salary under the provisions of this Plan and who (i) lost matching or other employer contributions under the ITT Industries Investment and Savings Plan for Salaried Employees (or any predecessor plan) due to the deferral of his Base Salary under this Plan, or (ii) had salary deferrals attributable to such Base Salary credited on his behalf to the ITT Industries Excess Savings Plan (or a predecessor plan) prior to January 1, 1996.

SECTION 1 — DEFINITIONS

- 1.01 **“Accounts”** shall mean the Deferred Account, Floor Contribution Account and the Matching Contribution Account.
- 1.02 **“Deferred Account”** shall mean the bookkeeping account maintained for each Participant covered under this Appendix A to record the portion of Base Salary deferred under this Plan which was credited as a Salary Deferral under the ITT Industries Excess Savings Plan (or any predecessor plan) prior to January 1, 1996.
- 1.03 **“Matching Contribution Account”** shall mean the bookkeeping account maintained for each Participant covered under this Appendix A to record the Excess Matching Contribution (as defined under the ITT Industries Excess Savings Plan) credited on such Participant’s behalf due to his deferral of Base Salary under this Plan.
- 1.04 **“Floor Contribution Account”** shall mean the bookkeeping account maintained for each Participant covered under this Appendix A to record the Excess Floor Contributions (as defined under the ITT Industries Excess Savings Plan) credited on such Participant’s behalf due to his deferral of Base Salary under this Plan.
-

SECTION 2. — INVESTMENT OF ACCOUNTS

- 2.01 A Participant shall have no choice or election with respect to the investments of his Accounts. There shall be credited or debited an amount of earnings or losses on the balance of the Participant's Accounts which would have been credited had the Participant's Accounts been invested in the Stable Value Fund maintained under the ITT Salaried Investment and Savings Plan.

SECTION 3. — VESTING OF ACCOUNTS

- 3.01 A Participant shall be fully vested in his Deferred Account and Floor Contribution Account. The Participant shall vest in the amounts credited to his Matching Contribution Account at the same rate and under the same conditions at which such contributions would have vested under the ITT Salaried Investment and Savings Plan had they been contributed thereunder. In the event the Participant terminates employment prior to vesting in all or any part of the amount credited on his behalf to his Matching Contribution Account, such contributions and earnings thereon shall be forfeited and shall not be restored in the event the Participant is subsequently reemployed by the Company.
- 3.02 Notwithstanding any provisions of this Plan or Appendix A to the contrary, upon the occurrence of an Acceleration Event, (as such term is defined in Article I of the Plan) a Participant shall become fully vested in the amounts credited to his Matching Contribution Account.

SECTION 4. — COMMENCEMENT OF PAYMENT

- 4.01 A Participant shall be entitled to receive payment of his Deferred Account, Floor Contribution Account and the vested portion of his Matching Contribution Account, as determined under Section 3.01, upon his termination of employment for any reason, other than death. The distribution of such Accounts shall be made as soon as practicable following such termination of employment.
- 4.02 In the event of the death of a Participant prior to the full payment of his Accounts, the unpaid portion of his Accounts shall be paid to his Beneficiary (as defined in Section 1.05 of the Plan) as soon as practicable following his date of death.

SECTION 5. — METHOD OF PAYMENT

5.01 Payment of a Participant's Deferred Account, Floor Contribution Account, and the vested portion of his Matching Contribution Account shall be made in a single lump sum payment.

SECTION 6. — PAYMENT UPON THE OCCURRENCE OF AN ACCELERATION EVENT

6.01 Upon the occurrence of an Acceleration Event, all Participants shall automatically receive the entire balance of their Accounts in a single lump sum payment. Such lump sum payment shall be made as soon as practicable on or after the Acceleration Event. If the Participant dies after such Acceleration Event, but before receiving such payment, it shall be made to his Beneficiary.

APPENDIX B
**PROVISIONS APPLICABLE TO A PARTICIPANT'S
GRANDFATHERED DEFERRAL ACCOUNT**

This Appendix B constitutes an integral part of the Plan and is applicable with respect to the Grandfathered Deferral Account of those individuals who were Participants in the Plan on December 31, 2004. The Grandfathered Deferral Account is subject to all the terms and conditions of the Plan as set forth on October 3, 2004, without regard to any Plan amendments after October 3, 2004, which would constitute a material modification for Code Section 409A. Section references in this Appendix B correspond to appropriate Sections of the Plan as in effect on October 3, 2004 as set forth in Appendix C.

ARTICLE 1 — DEFINITIONS

1.13 **"Deferral Account"** means the Participant's Grandfathered Deferral Account as set forth in Section 1.21 of the foregoing provisions of the Plan.

ARTICLE 3 — DEFERRALS

The provisions of Section 3.03, 3.04 and 3.05 shall continue to apply to a Participant's Grandfathered Deferral Account.

ARTICLE 4 — MAINTENANCE OF ACCOUNTS

The provisions of Section 4 as set forth in the foregoing provisions of the Plan as amended and restated effective as December 31, 2008, shall be applicable to a Participant's Grandfathered Deferral Account on and after January 1, 2009.

ARTICLE 5 — PAYMENT OF BENEFITS

For purposes of this Article 5 — Payment of Benefits, the term "termination of employment" or any other similar language means, with respect to a Participant, the complete cessation of providing service to the Company and all Associated Companies as an employee.

Except as provided in the preceding sentence and below, the provisions of Article 5 shall continue to apply to a Participant's Grandfathered Deferral Account.

5.04 **Hardship**

A distribution shall not be made pursuant to this Section 5.04, unless the Participant incurs an "unforeseeable emergency" as such term is defined in Section 5.06 of the foregoing provisions of this Plan.

5.07 **Designation of Beneficiary**

The provisions of Section 5.07 as set forth in the foregoing provisions of the Plan as amended and restated effective as December 31, 2008, shall be applicable to a Participant's Grandfathered Deferral Account on and after January 1, 2009.

5.08 **Debiting Accounts**

The provisions of Section 5.08 as set forth in the foregoing provisions of the Plan as amended and restated effective as December 31, 2008, shall be applicable to a Participant's Grandfathered Deferral Account on and after January 1, 2009.

APPENDIX C

PROVISIONS OF THE PLAN AS IN EFFECT ON OCTOBER 3, 2004

This Appendix C constitutes a part of this Plan and contains the Plan provisions as in effect on October 3, 2004.

ITT EXCESS PENSION PLAN IA

Effective as of July 1, 1975
As Amended and Restated as of December 31, 2008

ITT EXCESS PENSION PLAN IA

The ITT Excess Benefit Plan I (the "Plan") was effective as of July 1, 1975. The purpose of the Plan was to provide those employees participating in the Retirement Plan for Salaried Employees of ITT Corporation or any successor thereto (the "Retirement Plan") benefits which would have been payable under the Retirement Plan but for the limitations imposed on qualified plans by Section 415 of the Internal Revenue Code.

Effective as of October 7, 1986 the ITT Select Management Plan I was authorized by the Board of Directors of ITT Corporation to pay supplemental benefits to certain select management highly compensated employees who have qualified for benefits under the Retirement Plan. As of December 19, 1995, the ITT Select Management Plan I was merged into the ITT Excess Benefit Plan I and the surviving Plan was renamed the ITT Industries Excess Pension Plan I.

As of January 1, 1996, the Plan was amended to solely provide to individuals who are designated Eligible Employees under the Plan on and after December 19, 1995 benefits which would have been payable on their behalf under the Retirement Plan but for the limitations on benefits imposed by Section 415 and 401(a)(17) of the Internal Revenue Code (the "Code"), to transfer all liabilities not attributable to such excess benefits into the ITT Industries Excess Pension Plan IB (which is authorized to be effective as of January 1, 1996) and to rename the Plan, as amended, the ITT Industries Excess Pension Plan IA.

The Plan was amended, effective as of January 1, 2000, to reflect the changes in the Retirement Plan formula.

Effective as of July 13, 2004, the Plan was amended and restated to make certain administrative changes and to unify the definition of Acceleration Event with other employee benefit plans of ITT Corporation (formerly known as ITT Industries, Inc. (the "Corporation")). Effective as of July 13, 2004, the Plan was further amended to eliminate approval by the Compensation and Personnel Committee of the Board of Directors for lump sum payments made on or after September 1, 2004 and to revise the interest rate assumption utilized to calculate the amount of an elective lump sum payment available upon retirement to a Participant who becomes an Eligible Employee after January 1, 2005. Effective as of July 1, 2006, the Plan's name was revised to the ITT Excess Pension Plan IA.

Effective as of January 1, 2008, the Plan was amended to freeze participation and to eliminate the election of lump sum distribution after December 31, 2008. Effective as of December 31, 2008, the Plan was amended and restated to comply with the provisions of Section 409A of the Code and the regulations promulgated thereunder.

The benefits accrued and vested under the provisions of the Plan by a Participant who terminated employment with the Corporation and all its Associated Companies prior to January 1, 2005 shall be subject to the provisions of the Plan as in effect on October 3, 2004. In addition, with respect to a Participant who was employed by the Corporation or one of its Associated Companies on January 1, 2005, the portion of his benefit payable under the provisions of this Plan equal to his Grandfathered Pre-2005 Benefit (as defined herein) shall be subject to the provisions of the Plan as in effect on October 3, 2004 (attached hereto as Appendix B and made part hereof) without regard to any Plan amendments after October 3, 2004 which would constitute a material modification for Code Section 409A purposes, unless otherwise provided in Appendix A.

All benefits payable under this Plan, which is intended to constitute both an unfunded excess benefit plan under Section 3(36) of Title I of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), and a nonqualified, unfunded deferred compensation plan for a select group of management employees under Title I of ERISA, shall be paid out of the general assets of the Corporation. The Corporation may establish and fund a trust in order to aid it in providing benefits due under the Plan.

ITT EXCESS PENSION PLAN IA

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ITT EXCESS PENSION PLAN IA

ARTICLE I. DEFINITIONS

The following terms when capitalized herein shall have the meanings assigned below.

- 1.01 **Acceleration Event** shall mean "Acceleration Event" as that term is defined under the provisions of the Plan as in effect on October 3, 2004.
 - 1.02 **Annuity Starting Date** shall mean, unless the Plan expressly provides otherwise, the first day of the first period for which an amount is due as an annuity or any other form. However, if a Change in Control occurs, the Annuity Starting Date of a Participant with regard to his 409A Supplemental Benefit shall be the date such Change in Control occurs.
 - 1.03 **Associated Company** shall mean any division, subsidiary or affiliated company of the Corporation not participating in the Plan which is an Associated Company, as defined in the Retirement Plan.
 - 1.04 **Beneficiary** shall mean the person designated pursuant to the provisions of the Retirement Plan to receive benefits under said Retirement Plan after a Participant's death. In the absence of a beneficiary designation under the provisions of the Retirement Plan, the Participant's Beneficiary shall be his spouse (or Registered Domestic Partner), if any, otherwise his estate. Notwithstanding the foregoing, with respect to any survivor benefit payable pursuant to the provision of Section 2.04(c)(ii) based on the Participant's 409A Supplemental Benefit attributable to the Traditional Pension Plan ("TPP") formula (as defined in Section 4.01(b) of the Retirement Plan), in the absence of a beneficiary designation under the provisions of the Retirement Plan, the Participant's Beneficiary shall be his spouse (or Registered Domestic Partner), if any, otherwise the person or persons named as his beneficiary (or beneficiaries) under the ITT Salaried Investment and Savings Plan, if any, or if none, then the person or persons named as his beneficiary (or beneficiaries) under the Company's life insurance program. For purposes of the Plan, a Registered Domestic Partner shall have the same meaning as set forth in the Retirement Plan.
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- 1.05 **Board of Directors** shall mean the Board of Directors of ITT Corporation or any successor thereto.
- 1.06 **Change in Control** shall mean "Change in Control" as such term is defined under the terms of ITT Excess Pension Plan IIA, as amended from time to time.
- 1.07 **Code** shall mean the Internal Revenue Code of 1986, as amended from time to time.
- 1.08 **Committee** shall mean the Benefits Administration Committee under the Retirement Plan.
- 1.09 **Company** shall mean the Corporation with respect to its employees and any Participating Unit (as that term is defined in the Retirement Plan) authorized by the Corporation to participate in the Plan with respect to its employees.
- 1.10 **Company Pension Plan** shall mean any tax qualified defined benefit plan other than the Retirement Plan maintained by the Company or an Associated Company.
- 1.11 **Corporation** shall mean ITT Corporation, an Indiana corporation, (successor by merger to and formerly known as ITT Industries, Inc.), or any successor by merger, purchase or otherwise.
- 1.12 **Deferred Compensation Program** shall mean any nonqualified deferred compensation plan maintained by the Company or an Associated Company.
- 1.13 **Disability or Disabled** shall mean "Disability" as defined under Treasury Regs. Section 1.409A-3(i)(4)(i) and (ii) and any subsequent guidance thereto.
- 1.14 **Eligible Employee** shall mean a member of the Retirement Plan who occupies on December 31, 2007, or occupied prior to December 31, 2007, a position of senior management with the Corporation at the Vice President level or higher.
- 1.15 **ERISA** shall mean the Employee Retirement Income Security Act of 1974, as amended from time to time.
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- 1.16 **Excess Benefit Portion** shall mean the portion of the Plan which is intended to constitute an unfunded excess benefit plan under Sections 3(36) and 4(b)(5) of Title I of ERISA which provides benefits not otherwise payable under the Retirement Plan due to restrictions imposed by Section 415 of the Code.
- 1.17 **Grandfathered Pre-2005 Benefit** shall mean the portion of the Participant's Supplemental Benefit, if any, that was accrued and vested before January 1, 2005, determined under the provisions of the Plan without regard to any amendments after October 3, 2004 which would cause a material modification for Code Section 409A purposes, the provisions of Section 409A, the regulations promulgated thereunder and other applicable guidance, adjusted for the passage of time based on actuarial equivalent assumptions and procedures established by the Committee in accordance with the provisions of Treasury Regs. 1.409A-6(a)(3) (iv).
- 1.18 **ITT Excess Benefit Trust** shall mean the grantor trust established for this Plan effective as of January 1, 1985.
- 1.19 **Participant** shall mean an Eligible Employee who is participating in the Plan pursuant to Section 2.01 hereof.
- 1.20 **Plan** shall mean the ITT Excess Pension Plan IA, as set forth herein or as amended from time to time.
- 1.21 **Plan Year** shall mean the calendar year.
- 1.22 **Retirement Plan** shall mean the ITT Salaried Retirement Plan (formerly known as the ITT Industries Salaried Retirement Plan), as amended from time to time.
- 1.23 **Select Management Portion** shall mean the portion of the Plan, other than the Excess Benefit Portion, which is intended to constitute an unfunded deferred compensation plan for a select group of management or highly compensated employees under Title I of ERISA.
- 1.24 **Specified Employee** shall mean a "specified employee" as such term is defined in the Income Tax Regulations under Section 409A as modified by the rules set forth below:
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- (a) For purposes of determining whether a Participant is a Specified Employee, the compensation of the Participant shall be determined in accordance with the definition of compensation provided under Treas. Reg. Section 1.415(c) 2(d)(3) (wages within the meaning of Code section 3401(a) for purposes of income tax withholding at the source, plus amounts excludible from gross income under Section 125(a), 132(f)(4), 402(e)(3), 402(h)(1)(B), 402(k) or 57(b), without regard to rules that limit the remuneration included in wages based on the nature or location of the employment or the services performed).
- (b) The “Specified Employee Identification Date” means December 31, unless the Compensation Committee of the Board has elected a different date through action that is legally binding with respect to all nonqualified deferred compensation plans maintained by the Company or any Associated Company.
- (c) The “Specified Employee Effective Date” means the first day of the fourth month following the Specified Employee Identification Date or such earlier date as is selected by the Compensation Committee of the Board.

1.25 **Supplemental Benefit** shall mean the monthly benefit payable to a Participant as determined under Section 2.02.

1.26 **409A Supplemental Benefit** shall mean the portion of a Participant’s Supplemental Benefit, if any, in excess of his Grandfathered Pre-2005 Benefit.

1.27 **Termination of Employment** shall mean a “Separation from Service” as such term is defined in the Treasury Regs. under Section 409A of the Code, as modified by the rules described below:

- (a) An Employee who is absent from work due to military leave, sick leave, or other bona fide leave of absence pursuant to Company policies shall incur a Termination of Employment on the first date immediately following the later of (i) the six-month
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anniversary of the commencement of the leave (eighteen month anniversary for a disability leave of absence) or (ii) the expiration of the Employee's right, if any, to reemployment under statute or contract or pursuant to Company policies. For this purpose, a "disability leave of absence" is an absence due to any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than 6 months, where such impairment causes the employee to be unable to perform the duties of his job or a substantially similar job.;

- (b) For purposes of determining whether another organization is an Associated Company of the Corporation, common ownership of at least 50% shall be determinative;
- (c) The Corporation specifically reserves the right to determine whether a sale or other disposition of substantial assets to an unrelated party constitutes a Termination of Employment with respect to the executive providing services to the seller immediately prior to the transaction and providing services to the buyer after the transaction. Such determination shall be made in accordance with the requirements of Code Section 409A.

Whether Termination of Employment has occurred shall be determined by the Committee in accordance with Code Section 409A, the regulations promulgated thereunder, and other applicable guidance, as modified by rules described above. The terms or phrases "terminates employment," "termination of employment," "employment is terminated," or any other similar terminology shall have the same meaning as a "Termination of Employment."

ARTICLE II. PARTICIPATION; AMOUNT AND PAYMENT OF BENEFITS**2.01 Participation**

- (a) Each Eligible Employee who is a Participant in the Plan as of January 1, 2008 shall continue to be a Participant in the Plan, subject to the provisions of paragraph (b) below. Effective as of January 1, 2008, participation in the Plan is frozen and there shall be no new Participants in the Plan on or after that date.
- (b) Each Eligible Employee's annual retirement allowance or vested benefit which at the time of payment under the Retirement Plan exceeds the limitations imposed by Code Section 415(b) (or prior to January 1, 2000, Code Section 415(e)) shall be payable from the Excess Benefit Portion of the Plan.
- (c) Each Eligible Employee's annual retirement allowance or vested benefit which at the time of payment under the Retirement Plan is limited by reason of the Code Section 401(a)(17) limitation on Compensation (as that term is defined in the Retirement Plan) shall be payable from the Select Management Portion of the Plan.
- (d) A Participant's participation in the Plan shall terminate upon the Participant's death or other Termination of Employment with the Company and all Associated Companies, unless a benefit is payable under the Plan with respect to the Participant or his Beneficiary under the provisions of this Article II.

2.02 Amount of Supplemental Benefits

- (a) A Participant's Supplemental Benefit under this Article II shall be equal to the excess, if any, of (i) over (ii) as determined below:
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- (i) the monthly retirement allowance or vested benefit determined as of such Participant's Termination of Employment which would have been payable to the Participant under Section 4.02, 4.03, 4.04, 4.05 or 4.06 of the Retirement Plan, whichever is applicable, assuming such benefit commences on the date set forth in Section 2.04(a)(i), (ii) or (iv), whichever is applicable, and
 - (1) prior to the application of any offset required pursuant to Section 4.10 or to an applicable Appendix of the Retirement Plan with regard to benefits payable under any other Company Pension Plan;
 - (2) without regard to the provisions contained in Section 415 of the Code relating to the maximum limitation on benefits, as incorporated into the Retirement Plan; and
 - (3) without regard to the annual limitation on Compensation contained in Section 401(a)(17) of the Code, as incorporated into the Retirement Plan;

over

- (ii) the monthly retirement allowance or vested benefit which would have been payable for the Participant's lifetime under Section 4.02, 4.03, 4.04, 4.05 or 4.06 of the Retirement Plan, whichever is applicable assuming such benefit commences on the date set forth in Section 2.04(a)(i), (ii) or (iv), whichever is applicable, and determined
 - (1) prior to the application of any offset required pursuant to Section 4.10 or an applicable Appendix of the Retirement Plan with regard to benefits payable under any other Company Pension Plan;
 - (2) with regard to the provisions contained in Section 415 of the Code relating to maximum limitation benefits as incorporated into the Retirement Plan; and
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(3) with regard to the annual limitation on Compensation contained in Section 401(a)(17) of the Code, as incorporated into the Retirement Plan.

- (b) Except as otherwise provided below, if, after a Participant's Annuity Starting Date, changes to the Code or ERISA permit the Retirement Plan to provide for payment of a Participant's monthly retirement allowance or vested benefit in an amount greater than that permissible at that particular Annuity Starting Date, the Participant's monthly benefit under this Plan shall be reduced by the portion of his retirement allowance or vested benefit thereafter paid from the Retirement Plan. This provision shall not be applicable to any portion of a Participant's Supplemental Benefit received in the form of a lump sum payment.

2.03 Vesting

- (a) A Participant shall be vested in, and have a nonforfeitable right to, the benefit payable under this Article II to the same extent as the Participant is vested in his Accrued Benefit (as that term is defined in the Retirement Plan) under the provisions of the Retirement Plan.
- (b) Notwithstanding any provision of this Plan to the contrary, in the event of an Acceleration Event, all Participants and their Beneficiaries shall become fully vested in the benefits provided under this Plan.

2.04 Payment of Benefits

(a) Timing of Payment

- (i) Subject to the provisions of clause (iii) below, the portion of any Participant's 409A Supplemental Benefit payable under Section 2.02 attributable to the TPP formula (as defined in Section 4.01(b) of the Retirement Plan), to the extent vested pursuant to Section 2.03, shall commence as of the first day of the month following (1) the Participant's Termination of Employment or (2) if the Participant is not at least age 50 on such date of Termination of
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Employment and his age and service as of such date does not equal 80 or more, the Participant's attainment of age 55, if later.

- (ii) Notwithstanding the foregoing provisions of clause (i) above and subject to the provisions of clause (iii) below, the portion of any Participant's 409A Supplemental Benefit payable under Section 2.02 attributable to the PEP formula (as defined in Section 4.01(c) of the Retirement Plan), to the extent vested pursuant to Section 2.03, shall commence as of the first day of the month following the Participant's Termination of Employment.
 - (iii) Notwithstanding the foregoing, the actual payment of a 409A Supplemental Benefit payable under Section 2.02 due to the Participant's Termination of Employment for reasons other than death or Disability shall not commence prior to the first day of the seventh month following the Participant's Termination of Employment. Any payment due the Participant which he would have otherwise received under Section 2.02 during the six month period immediately following such Participant's Termination of Employment shall be accumulated, with interest, at the IRS Interest Rate (as defined in the Retirement Plan) in accordance with procedures established by the Committee. For the avoidance of doubt, the provisions of this clause (iii) shall not apply to a 409A Supplemental Benefit payable under (1) Section 2.04(c) due to the death of the Participant or (2) Section 2.04(d) due to the Participant's Disability.
 - (iv) Notwithstanding the foregoing, in the event a Participant who incurred a Termination of Employment prior to January 1, 2009 has not commence payment of his 409A Supplemental Benefit as of January 1, 2009, such Participant's 409A Supplemental Benefit shall commence as of January 1, 2009 or, if later, the date specified in clause (i), (ii) or (iii) above, whichever is applicable.
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- (v) A Participant's Grandfathered Pre-2005 Benefit shall commence in accordance with the provisions of the Plan as in effect on October 3, 2004, modified as set forth in Appendix A and without regard to any Plan amendments after October 3, 2004 which would constitute a material modification for Code Section 409A purposes.

(b) Form of Benefit

- (i) Unless a Participant has a valid election under clause (ii) or (iii) below in effect, the portion of the Participant's 409A Supplemental Benefit determined under Section 2.02 attributable to the TPP formula (as defined in Section 4.01(b) of the Retirement Plan) shall be paid in the form of a single life annuity for the life of the Participant, if the Participant is not married on his Annuity Starting Date, or in the form of a 50% joint & survivor annuity, if the Participant is married (or has a Registered Domestic Partner) on his Annuity Starting Date.
 - (ii) Subject to the provisions of clause (iv) below, a Participant may elect to convert his 409A Supplemental Benefit payable under Section 2.02 attributable to the TPP formula (as defined in Section 4.01(b) of the Retirement Plan) into an optional annuity of equivalent actuarial value available to that Participant under the provisions of Section 4.07(b) of the Retirement Plan as of his Annuity Starting Date, provided said optional annuity satisfies the definition of "life annuity" as provided in Treasury Regs. 1.409A-(2)(b)(2)(i) and any further guidance thereto. Such equivalent actuarial value shall be based on the applicable factors set forth in Appendix A of the Retirement Plan.
 - (iii) Notwithstanding the foregoing provisions of clauses (i) and (ii) above, a Participant may, subject to the timing limitations and other restrictions as shall be prescribed by the Committee, elect, by written notice received by the Committee, to receive the portion of his entire Supplemental Benefit payable
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under this Plan attributable to the TPP formula (as defined in Section 4.01(b) of the Retirement Plan) in the form of a single lump sum payment if upon his Termination of Employment he retires under the provisions of the Retirement Plan at his Postponed Retirement Date, Normal Retirement Date, Standard Early Retirement Date or Special Early Retirement Date (as such terms are defined under the Retirement Plan). Such election must be completed and filed with the Plan Committee no later than December 31, 2008 and shall become irrevocable as of January 1, 2009. However, if the Participant dies after his Early, Normal or Postponed Retirement Date but prior to receiving his lump sum payment, the payment shall be made to the Participant's Beneficiary with the calculation of such payment based on the assumption that payment had been made immediately preceding the Participant's date of death. For avoidance of doubt, if a Participant has not satisfied the eligibility requirements to retire under the Retirement Plan with an early, normal or postponed retirement allowance upon his Termination of Employment, the election of a lump sum payment under the provisions of the clause (iii) shall not be effective.

Such lump sum payment shall be calculated on an actuarial equivalent basis using the interest rate assumption for immediate annuities used by the Pension Benefit Guaranty Corporation ("PBGC") for valuing benefits for single employer plans as published by the PBGC for the month in which the payment is effective and the mortality table utilized as of such date under the provisions of the Retirement Plan to calculate the amount of a small lump sum cashout. Notwithstanding the preceding sentence, with respect to a Participant who becomes an Eligible Employee (as defined in Section 1.14 of the Plan) after January 1, 2005, such lump sum payment shall be calculated on an actuarial equivalent basis using the IRS Interest Rate (as defined in the Retirement Plan) as published in the fourth month prior to the month following the month in which the Participant's Termination of Employment occurs and the mortality table utilized as of such date under the provisions of

the Retirement Plan to calculate the amount of a small lump sum cashout. The calculation of a lump sum payment under this clause (iii) shall be based on the Participant's benefit determined pursuant to Section 2.02 attributable to the TPP formula portion (as defined in Section 4.01(b) of the Retirement Plan) of such benefit as if it were paid in the form of a single life annuity to the Participant. The calculation of a lump sum payment hereunder shall be made without regard to the possibility of any future changes after the Participant's Annuity Starting Date in the amount of benefits payable under the Retirement Plan because of future changes in the limitations referred to in Section 2.02. This lump sum payment plus any payment made pursuant to the provisions of clause (v) below represents a complete settlement of all 409A Supplemental Benefits due on the Participant's behalf under the Plan.

- (iv) Notwithstanding the foregoing and subject to the provisions of Section 409A of the Code, a Participant's election to receive his 409A Supplemental Benefit attributable to the TPP formula (as defined in Section 4.01(b) of the Retirement Plan) in an optional annuity form of payment as described in clause (ii) above shall be effective as of the Participant's Annuity Starting Date applicable to that portion of his 409A Supplemental Benefit, provided the Participant makes and submits to the Committee in the manner prescribed by the Committee, his election of such optional annuity form prior to such applicable Annuity Starting Date. Unless otherwise provided under clause (iii) above, a Participant who fails to elect an optional annuity form of benefit applicable to the TPP formula portion of his 409A Supplemental Benefit in a timely manner shall receive such benefit in accordance with the provisions of clause (i) above.
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- (v) Notwithstanding the foregoing provisions of this Section 2.04(b), the portion of a Participant's 409A Supplemental Benefit payable under Section 2.02 attributable to the PEP formula (as defined in Section 4.01(c) of the Retirement Plan) shall be payable in the form of a single lump sum payment. Such lump sum payment shall be calculated on the same basis as provided in Section 4.07(b)(v) of the Retirement Plan using the IRS Mortality Table and IRS Interest Rate (as defined in the Retirement Plan).
 - (vi) The portion of the Participant's Grandfathered Pre-2005 Benefit payable under Section 2.02 attributable to the TPP formula (as defined in Section 4.01(b) of the Retirement Plan) shall commence and the form of payment of such benefit shall be determined in accordance with the provisions of the Plan as in effect on October 3, 2004, modified as set forth in Appendix A and without regard to any Plan amendments after that date which would constitute a material modification for Code Section 409A purposes, unless a Participant has a valid election under clause (iii) above in effect as of his date of Termination of Employment. The portion of the Participant's Grandfathered Pre-2005 Benefit payable under Section 2.02 attributable to the PEP formula (as defined in Section 4.01(c) of the Retirement Plan) shall be payable in accordance with the provisions of the Plan as in effect on October 3, 2004, modified as set forth in Appendix A and without regard to any Plan amendments after October 3, 2004 which would constitute a material modification for Code Section 409A purposes.
- (c) **Death Prior to a Participant's Annuity Starting Date**
- (i) If a Participant entitled to a vested benefit under the Retirement Plan dies (1) before meeting the eligibility requirements for an Automatic Pre-Retirement Survivor's Benefit under Section 4.08(b) of the Retirement Plan and while in active service with the Company or any Associated Company or while Disabled but before his Annuity Starting Date, or (2) after Termination of Employment with entitlement to a vested benefit hereunder but prior to his
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Annuity Starting Date, the Participant's spouse (or Registered Domestic Partner) shall receive a monthly payment for life equal to the monthly income which would have been payable to such spouse (or Registered Domestic Partner) under Section 4.08(a) of the Retirement Plan based on the hypothetical benefit attributable to his Supplemental Benefit as calculated under Section 2.02 hereof assuming payments commence as of the first day of the month following the Participant's date of death, or attainment of age 55, if later. The portion of such benefit attributable to the Participant's 409A Supplemental Benefit shall commence as of the first day of the month following the later of the Participant's date of death, or the Participant's attainment of age 55 (or in the event clause (iv) is applicable, the date specified in clause (iv).) Notwithstanding the foregoing, the portion of any benefit payable under this clause (i) attributable to the PEP formula portion (as defined in Section 4.01(c) of the Retirement Plan) of the benefit which would have been payable to the spouse based on the hypothetical 409A Supplemental Benefit as calculated under Section 2.02 shall be determined assuming that portion of the benefit commences as of the first day of the month following the Participant's date of death (or the date specified in clause (iv), if later) and such benefit shall be payable in the form of a single lump sum payment as of the first day of the month following the Participant's date of death. This lump sum payment shall be calculated on the same basis as provided in Section 4.08(a)(iii) of the Retirement Plan using the IRS Mortality Table and IRS Interest Rate (as defined in the Retirement Plan). Notwithstanding any Plan provision to the contrary, the portion of any survivor benefit payable under this clause (i) attributable to the Participant's Grandfathered Pre-2005 Benefit shall be payable in accordance with the provisions of the Plan as in effect on October 3, 2004, modified as set forth in Appendix A, and without regard to any Plan amendments after October 3, 2004 which would constitute a material modification for Code Section 409A purposes.

- (ii) Except as otherwise provided below or in clause (iii) of this Section 2.04(c), in the event a Participant who has satisfied the eligibility requirements for the Automatic Pre-Retirement Survivor's Benefit under Section 4.08(b) of the Retirement Plan, dies (1) while in active service with the Company or any Associated Company or (2) after his Termination of Employment or the date he becomes Disabled, if earlier, but prior to his Annuity Starting Date, the Participant's Beneficiary, if any, shall receive a monthly payment for the life of the Beneficiary equal to the monthly income which would have been payable to such Beneficiary under Section 4.08(b) of the Retirement Plan based on the hypothetical retirement benefit attributable to his Supplemental Benefit as calculated under Section 2.02 hereof assuming payments commence on the first day of the month following the Participant's death (or the date specified in clause (iv), if later). Notwithstanding the foregoing, the portion of any benefit payable under this clause (ii) attributable to the PEP formula portion (as defined in Section 4.01(c) of the Retirement Plan) of the benefit which would have been payable to the Beneficiary based on the hypothetical 409A Supplemental Benefit as calculated under Section 2.02 shall be payable in the form of a single lump sum payment. This lump sum payment shall be calculated on the same basis as provided in Section 4.08(b)(iii) of the Retirement Plan using the IRS Mortality Table and IRS Interest Rate (as defined in the Retirement Plan). The portion of any benefit payable under this clause (ii) attributable to a Participant's 409A Supplemental Benefit as calculated under Section 2.02 hereof shall commence on the first day of the month following the Participant's death.

The portion of such survivor benefit payable under this clause (ii) of paragraph (c) attributable to the Participant's Grandfathered Pre-2005 Benefit shall commence in accordance with the provisions of the Plan as in effect on October 3, 2004, modified as set forth in Appendix A, and without regard to any Plan amendments after October 3, 2004 which would constitute a material modification for Code Section 409A purposes.

- (iii) Notwithstanding the foregoing, in the event a Participant, who has satisfied the eligibility requirements to retire under the Retirement Plan with an early, normal or postponed retirement allowance, has filed a valid election to receive a lump sum payment of benefits under the provisions of Section 2.04(b)(iii), dies on or after age 55 and prior to his Annuity Starting Date, the Beneficiary of such Participant shall receive a single lump sum amount determined as follows:
- (A) In the event of the Participant's death (i) prior to his Termination of Employment or (ii) after he becomes Disabled but prior to his Annuity Starting Date, the lump sum payment shall be equal to the value of the Participant's benefit attributable to his Supplemental Benefit, if any, accrued to his date of death as determined under the provisions of Section 2.02 hereof.
 - (B) In the event of any other Participant's death after his Termination of Employment and prior to his Annuity Starting Date, the lump sum payment shall be equal to the value of the Participant's Supplemental Benefit accrued to the Participant's Termination of Employment as determined under the provisions of Section 2.02 hereof.

The portion of the lump sum payment under this clause (iii) attributable to the PEP formula portion (as defined in Section 4.01(c) of the Retirement Plan) of his 409A Supplemental Benefit, if any, shall be calculated on the same basis as provided in Section 4.08(b)(iii) of the Retirement Plan using the IRS Mortality Table and IRS Interest Rate (as defined in the Retirement Plan) determined as if the Participant's Annuity Starting Date was the first day of the month following the earlier of his Termination of Employment or his date of death. The portion of the lump sum payment under this clause (iii) attributable to the TPP formula portion (as defined in Section 4.01(b) of the Retirement Plan) of the Participant's 409A Supplemental Benefit shall be (1) based on the Participant's Plan benefit attributable to the TPP formula portion

(as defined in Section 4.01(b) of the Retirement Plan) as if it were paid in the form of a single life annuity to the Participant and (2) calculated on an actuarial equivalent basis using the interest rate assumption for immediate annuities used by the PBGC for valuing benefits for single employer plans as published by the PBGC for the month following the Participant's date of Termination of Employment or, if earlier, the date of his death and the mortality table utilized as of such date under the provisions of the Retirement Plan to calculate the amount of a small lump sum cashout. Notwithstanding the preceding sentence, with respect to a Participant who becomes an Eligible Employee (as defined in Section 1.14 of the Plan) after January 1, 2005, the lump sum payment in the preceding sentence shall be calculated on an actuarial equivalent basis using the IRS Interest Rate (as defined in the Retirement Plan) as published in the fourth month prior to the month in which the Participant's Termination of Employment or, if earlier, date of death occurs and the mortality table utilized as of such date under the provisions of the Retirement Plan to calculate the amount of a small lump sum cashout. The calculation of a lump sum payment hereunder shall be made without regard to the possibility of any future changes after the Participant's death in the amount of benefits payable under the Retirement Plan because of future changes in the limitations referred to in Section 2.02.

Notwithstanding the foregoing, the portion of such survivor benefit attributable to the Participant's Grandfathered Pre-2005 Benefit shall be paid in accordance with the provisions of the Plan as in effect on October 3, 2004, modified as set forth in Appendix A, and without regard to any Plan amendments after October 3, 2004 which would constitute a material modification for Code Section 409A purposes.

Notwithstanding the foregoing, a total lump sum payment under this clause (iii) shall only be made to the Participant's Beneficiary if the Participant has filed an election to receive a lump sum payment of any benefits under the

provisions of Section 2.04(a)(iii) in accordance with the timing limitations and other restrictions prescribed by the Committee. Payment shall be made to the Participant's Beneficiary as soon as practicable after the Participant's date of death. The lump sum payment under this clause (iii) represents a complete settlement of all benefits due the Beneficiary on the Participant's behalf under the Plan.

- (iv) Notwithstanding the foregoing, in the event the survivor benefit payable under this Section 2.04(c) to the spouse or Beneficiary of a Participant who died prior to January 1, 2009 has not commenced as of January 1, 2009, such survivor benefit shall commence as of January 1, 2009 or, if later, the date specified in clauses (i), (ii) or (iii) above, whichever is applicable.
- (d) **Disability prior to Termination of Employment**
- (i) Notwithstanding any Plan provision to the contrary, in the event a Participant becomes Disabled prior to his Termination of Employment, the Participant shall be entitled to a Disability Supplemental Benefit equal to the amount determined under the provisions of Section 2.02(a) based on his years of Benefit Service, as such term is defined in the Retirement Plan, accrued to the date he became Disabled plus the years of Benefit Service, as such term is defined in the Retirement Plan, such Participant accrues under the terms of the Retirement Plan after the date he becomes Disabled and prior to his attainment of age 65.
 - (ii) The portion of the Disability Supplemental Benefit determined under the provisions of clause (i) in excess of the Participant's Grandfathered Pre-2005 Benefit shall be paid in accordance with the provisions of paragraph (b) above and payments shall commence on the first day of the month following the month in which the Participant attains age 65.
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- (iii) Notwithstanding the foregoing, the portion of the Disability Supplemental Benefit attributable to the Participant's Grandfathered Pre-2005 Benefit shall be paid in accordance with the provisions of the Plan as in effect on October 3, 2004, modified as set forth in Appendix A, and without regard to any Plan amendments after October 3, 2004 which would constitute a material modification for Code Section 409A purposes.

2.05 Payment Upon the Occurrence of a Change in Control

Upon the occurrence of a Change in Control, (i) all retired Participants then receiving or then entitled to receive a 409A Supplemental Benefit under the Plan, (ii) all former Participants then receiving or then entitled to receive a 409A Supplemental Benefit hereunder, and (iii) all Participants who are then still in active service shall automatically receive, in a single lump sum payment, the 409A Supplemental Benefit remaining due as of the Change in Control to any such retired or former Participant or the benefit, if any, accrued by such active Participant up to the Change in Control event and as determined under Section 2.02 hereof. The amount of such lump sum payment attributable to the PEP formula portion (as defined in Section 4.01(c) of the Retirement Plan) of the Participant's 409A Supplemental Benefit payable under this Plan not in payment status as of the occurrence of a Change in Control event shall be calculated on the same basis as provided in Section 4.07(b)(v) of the Retirement Plan using the IRS Mortality Table and IRS Interest Rate (as defined in the Retirement Plan) determined as if the date the Change in Control event occurs is the Participant's Annuity Starting Date. The amount of the lump sum payment attributable to the TPP formula portion of the Participant's 409A Supplemental Benefit payable under this Plan shall be calculated on an actuarial equivalent basis using (i) the interest rate assumption used by the PBGC for valuing benefits for single employer plans as published by the PBGC for the month in which such Change in Control event occurs and (ii) the mortality table utilized as of the day immediately preceding the date the Change in Control event occurs under the provisions of the Retirement Plan to calculate the amount of a small lump sum cashout. The interest rate for immediate annuities will be used, if the Participant has met the eligibility requirements to retire under the Retirement Plan with an early, normal or postponed

retirement allowance as of the Change in Control or is then in receipt of monthly payments under this Plan, otherwise the Plan shall use the interest rate assumption for deferred annuities to the earliest date the Participant could have commenced payment of such benefit or, if it results in a larger lump sum, his Normal Retirement Date (as defined under the Retirement Plan). If the Participant is not in receipt of his monthly 409A Supplemental Benefit payments under this Plan as of the Change in Control, the calculation of a lump sum payment hereunder of the portion of the Participant's accrued benefit payable under this Plan attributable to the TPP formula portion (as defined under Section 4.01(b) of the Retirement Plan) shall be based on the Participant's 409A Supplemental Benefit payable under Section 2.02 attributable to such TPP formula as if it were paid in the form of a single life annuity to the Participant commencing on the Participant's Annuity Starting Date; provided, however, if the Participant has not met the eligibility requirements to retire under the Retirement Plan with an early, normal or postponed retirement allowance, the calculation of such lump sum payment shall be based on the Participant's accrued 409A Supplemental Benefit payable under Section 2.02 attributable to such TPP formula as if it were paid in the form of a single life annuity to the Participant commencing on the earliest date he could have commenced payment of such benefit. In no event, however, shall the lump sum payment determined under the preceding sentence be less than the lump sum payment based on the Participant's accrued 409 Supplemental Benefit payable under Section 2.02 attributable to such TPP formula as if it were paid in the form of a single life annuity to the Participant commencing on his Normal Retirement Date. The calculation of a lump sum payment hereunder shall be made on the basis of the Participant's age (and Beneficiary's age, if applicable) at the Change in Control and without regard to the possibility of any future changes after the Change in Control in the amount of benefits payable hereunder because of future changes in the limitations referred to in Section 2.02. The lump sum payment shall be made within ninety (90) days of the date the Change in Control event occurs. In the event the Participant dies after such Change in Control event occurs but before receiving such payment, the lump sum payment shall be made to his Beneficiary. This lump sum payment represents a complete settlement of all benefits on the Participant's behalf under the Plan.

For avoidance of doubt, upon the occurrence of an Acceleration Event, (either prior, after or simultaneously with the occurrence of a Change of Control) the provisions of Section 2.05 of the Plan as in effect on October 3, 2004 without regard to any Plan amendments after October 3, 2004 which would constitute a material modification for Code Section 409A purposes shall be applicable to a Participant's Grandfathered Pre-2005 Benefit.

2.06 Reemployment of Former Participant or Retired Participant

If a Participant who retired or otherwise terminated employment with the Company and all Associated Companies is reemployed as an employee by the Company or an Associated Company, such reemployment shall have no impact on the payment or timing of payment of any 409A Supplement Benefits earned prior to reemployment.

ARTICLE III. GENERAL PROVISIONS**3.01 Funding**

- (a) All amounts payable in accordance with this Plan shall constitute a general unsecured obligation of the Corporation. Such amounts, as well as any administrative costs relating to the Plan, shall be paid out of the general assets of the Corporation, to the extent not paid from the assets of any trust established pursuant to paragraph (b) below.
 - (b) The Corporation may, for administrative reasons, establish a grantor trust for the benefit of Participants in the Plan. The assets placed in said trust shall be held separate and apart from other Corporation funds and shall be used exclusively for the purposes set forth in the Plan and the applicable trust agreement, subject to the following conditions:
 - (i) the creation of said trust shall not cause the Plan to be other than “unfunded” for purposes of Title I of ERISA;
 - (ii) the Corporation shall be treated as “grantor” of said trust for purposes of Section 677 of the Code; and
 - (iii) the agreement of said trust shall provide that its assets may be used upon the insolvency or bankruptcy of the Corporation to satisfy claims of the Company’s general creditors and that the rights of such general creditors are enforceable by them under federal and state law.
 - (c) To the extent that any person acquires a right to receive payments under the Plan, such right shall be no greater than the right of any unsecured creditor of the Corporation.
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3.02 Duration of Benefits

Benefits shall accrue under the Plan on behalf of a Participant only for so long as the provisions of Section 415 or 401(a)(17) of the Code limit the benefits that are payable under the Retirement Plan.

3.03 Discontinuance and Amendment

The Board of Directors reserves the right to modify, amend, or discontinue in whole or in part, benefit accruals under the Plan at any time. However, no modification, amendment, or discontinuance shall adversely affect the right of any Participant to receive the benefits accrued as of the date of such modification, amendment or discontinuance and after the occurrence of an Acceleration Event, no modification or amendment shall be made to Sections 2.03 or 2.05. Notwithstanding the foregoing, following any amendment and except as provided in Article II with respect to lump sum payments hereunder, benefits may be adjusted as required to take into account the amount of benefits payable under the Retirement Plan after the application of the limitations referred to in Section 2.02.

3.04 Termination of Plan

The Board of Directors reserves the right to terminate the Plan at any time, provided, however, that no termination shall be effective retroactively. As of the effective date of termination of the Plan,

- (a) the benefits of any Participant or Beneficiary whose benefit payments have commenced shall continue to be paid, but only to the extent such benefits are not otherwise payable under the Retirement Plan because of the limitations referred to in Section 2.02, and
 - (b) no further benefits shall accrue on behalf of any Participant whose benefits have not commenced, and such Participant and his Beneficiary shall retain the right to benefits hereunder; provided that, on or after the effective date of termination,
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- (i) the Participant is vested under the Retirement Plan; and
- (ii) such benefits are not at any time otherwise payable under the Retirement Plan because of the limitations imposed by IRC Section 415 or Section 401(a)(17).

All other provisions of this Plan shall remain in effect.

3.05 Plan Not a Contract of Employment

This Plan is not a contract of employment, and the terms of employment of any Participant shall not be affected in any way by this Plan or related instruments, except as specifically provided therein. The establishment of this Plan shall not be construed as conferring any legal rights upon any person for a continuation of employment, nor shall it interfere with the rights of the Corporation to discharge any person and to treat him without regard to the effect which such treatment might have upon him under this Plan. Each Participant and all persons who may have or claim any right by reason of his participation shall be bound by the terms of this Plan and all agreements entered into pursuant thereto.

3.06 Facility of Payment

In the event that the Committee shall find that a Participant is unable to care for his affairs because of illness or accident or is a minor or has died, the Committee may, unless claim shall have been made therefore by a duly appointed legal representative, direct that any benefit payment due him, to the extent not payable from a grantor trust, be paid on his behalf to his spouse, a child, a parent or other blood relative, or to a person with whom he resides, and any such payment so made shall be a complete discharge of the liabilities of the Corporation and the Plan therefore.

3.07 Withholding Taxes

The Company and an Associated Company shall have the right to deduct from each payment to be made under the Plan any required withholding taxes.

3.08 Nonalienation

Subject to any applicable law, no benefit under the Plan shall be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance or charge, and any attempt to do so shall be void, nor shall any such benefit be in any manner liable for or subject to garnishment, attachment, execution or levy, or liable for or subject to the debts, contracts, liabilities, engagements or torts of the person entitled to such benefits.

3.09 Forfeiture for Cause

In the event that a Participant shall at any time be convicted of a crime involving dishonesty or fraud on the part of such Participant in his relationship with the Company or an Associated Company, all benefits that would otherwise be payable to him or to a Beneficiary under the Plan shall be forfeited.

3.10 Transfers

- (a) Notwithstanding any Plan provision to the contrary, in the event the Corporation (i) sells, causes the sale of, or sold the stock or assets of any employing company in the controlled group of the Corporation to a third party or (ii) distributes or distributed to the holders of shares of the Corporation's common stock all of the outstanding shares of common stock of a subsidiary or subsidiaries of the Corporation, and, as a result of such sale or distribution, such company (or subsidiary) or its employees are no longer eligible to participate hereunder, the liabilities with respect to the benefits accrued under this Plan for a Participant who, as a result of such sale or distribution, is no longer eligible to participate in this Plan, shall, at the discretion and direction of the Corporation (and approval by the new employer), be transferred to a similar plan of such new employer and become a liability thereunder. Upon such transfer (and acceptance thereof by such new employer) the liabilities for such transferred benefits shall become the obligation of the new employer and the liability under this Plan for such benefits shall then cease.
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- (b) Notwithstanding any Plan provision to the contrary, at the discretion and direction of the Corporation, liabilities with respect to benefits accrued by a Participant under a plan maintained by such Participant's former employer may be transferred to this Plan and upon such transfer shall become the obligation of the Corporation.

3.11 Acceleration of or Delay in Payments

The Committee, in its sole and absolute discretion, may elect to accelerate the time or form of payment of a benefit owed to the Participant hereunder, provided such acceleration is permitted under Treasury Regulations Section 1.409A-3(j)(4). The Committee may also, in its sole and absolute discretion, delay the time for payment of a benefit owed to the Participant hereunder, to the extent permitted under Treasury Regulations Section 1.409A-2(b)(7).

3.12 Indemnification.

The Company, the members of the Committee, and the officers, employees and agents of the Company shall, unless prohibited by any applicable law, be indemnified against any and all liabilities arising by reason of any act or failure to act in relation to the Plan including, without limitation, expenses reasonably incurred in the defense of any claim relating to the Plan, amounts paid in any compromise or settlement relating to the Plan and any civil penalty or excise tax imposed by any applicable statute, if

- (a) the act or failure to act shall have occurred
- (i) in the course of the person's service as an officer, employee or agent of the Company or as a member of the Committee, or as the Plan administrator; or
 - (ii) in connection with a service provided with or without charge to the Plan or to the Participants or Beneficiaries of the Plan, if such service was requested by the Committee or the Plan administrator; and
- (b) the act or failure to act is in good faith and in, or not opposed to, the best interests of the Corporation.
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This determination shall be made by the Corporation and, if such determination is made in good faith and not arbitrarily or capriciously, shall be conclusive.

The foregoing indemnification shall be from the assets of the Corporation. However, the Corporation's obligation hereunder shall be offset to the extent of any otherwise applicable insurance coverage under a policy maintained by the Corporation or any other person, or other source of indemnification.

3.13 Claims Procedure

(a) Submission of Claims

Claims for benefits under the Plan shall be submitted in writing to the Committee or to an individual designated by the Committee for this purpose.

(b) Denial of Claim

If any claim for benefits is wholly or partially denied, the claimant shall be given written notice within 90 days following the date on which the claim is filed, which notice shall set forth

- (i) the specific reason or reasons for the denial;
- (ii) specific reference to pertinent Plan provisions on which the denial is based;
- (iii) a description of any additional material or information necessary for the claimant to perfect the claim and an explanation of why such material or information is necessary; and
- (iv) an explanation of the Plan's claim review procedure, including information as to the steps to be taken if the claimant wishes to submit the claim for review and the time limits for requesting a review.

If special circumstances require an extension of time for processing the claim, written notice of an extension shall be furnished to the claimant prior to the end of the initial period of 90 days following the date on which the claim is filed. Such an extension may not exceed a period of 90 days beyond the end of said initial period.

If the claim has not been granted and written notice of the denial of the claim is not furnished within 90 days following the date on which the claim is filed, the claim shall be deemed denied for the purpose of proceeding to the claim review procedure.

(c) Claim Review Procedure

The claimant or his authorized representative shall have 60 days after receipt of written notification of denial of a claim to request a review of the denial by making written request to the Committee, and may review pertinent documents and submit issues and comments in writing within such 60-day period.

Not later than 60 days after receipt of the request for review, the persons designated by the Company to hear such appeals (the "Appeals Committee") shall render and furnish to the claimant a written decision, which shall include specific reasons for the decision and shall make specific references to pertinent Plan provisions on which it is based. If special circumstances require an extension of time for processing, the decision shall be rendered as soon as possible, but not later than 120 days after receipt of the request for review, provided that written notice and explanation of the delay are given to the claimant prior to commencement of the extension. Such decision by an Appeals Committee shall not be subject to further review. If a decision on review is not furnished to a claimant within the specified time period, the claim shall be deemed to have been denied on review.

(d) Exhaustion of Remedy

No claimant shall institute any action or proceeding in any state or federal court of law or equity or before any administrative tribunal or arbitrator for a claim for benefits under the Plan until the claimant has first exhausted the procedures set forth in this section.

3.14 Construction

- (a) The Plan is intended to constitute both an excess benefit arrangement and an unfunded deferred compensation arrangement maintained for a select group of management or highly compensated employees within the meaning of Sections 201(2), 301(a)(3), and 401(a)(1) of ERISA, and all rights under this Plan shall be governed by ERISA. Subject to the preceding sentence, the Plan shall be construed, regulated and administered under the laws of the State of New York, to the extent such laws are not superseded by applicable federal law.
 - (b) The masculine pronoun shall mean the feminine wherever appropriate.
 - (c) The illegality of any particular provision of this document shall not affect the other provisions and the document shall be construed in all respects as if such invalid provision were omitted.
 - (d) The headings and subheadings in the Plan have been inserted for convenience of reference only, and are to be ignored in any construction of the provisions thereof.
 - (e) The Plan shall be construed, regulated and administered in accordance with the laws of the State of New York, subject to the provisions of applicable federal laws
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ARTICLE IV. PLAN ADMINISTRATION**4.01 Responsibility for Benefit Determination**

The benefit of a Participant or Beneficiary under this Plan shall be determined either by the Committee, as provided in Section 4.02 below, or such other party as is authorized under the terms of any grantor trust.

4.02 Duties of Committee

The Committee shall calculate, in accordance with Article II, the benefit of each Participant or Beneficiary under the Plan. To the extent a Participant's, spouse's or Beneficiary's benefit are payable from the Plan, the Committee shall have full discretionary authority to resolve any question which shall arise under the Plan as to any person's eligibility for benefits, the calculation of benefits, the form, commencement date, frequency, duration of payment, or the identity of the Beneficiary. Such question shall be resolved by the Committee under rules uniformly applicable to all person(s) or employee(s) similarly situated. It is the intent of the Corporation that the provisions of Plan comply with the provisions of Section 409A of the Code, any regulations and other guidance promulgated with respect thereto and the provisions of the Plan shall be interpreted to be consistent therewith.

4.03 Procedure for Payment of Benefits Under the Plan

With respect to any benefit to which a Participant or Beneficiary is entitled under this Plan which is not payable under the ITT Excess Benefit Trust, or any other applicable grantor trust established by the Corporation to pay benefits under the Plan, the Committee (i) shall direct the commencement of benefit payments hereunder in accordance with the applicable procedures established by the Corporation, the Company and/or the Committee regarding the disbursement of amounts from the general funds of the Corporation and (ii) shall arrange, in conjunction with any other applicable excess benefit plan, for the payment of benefits under this Plan and/or any other applicable excess benefit plan.

With respect to any benefit to which a Participant or Beneficiary is entitled under this Plan which is payable under the ITT Excess Benefit Trust (or any other applicable grantor trust), the Committee, acting for the Corporation and in accordance with the terms of the ITT Excess Benefit Trust (or any other applicable grantor trust), shall forward the calculation of the Participant's or Beneficiary's benefit under Article II of the Plan to the Participant or Beneficiary for concurrence. Upon obtaining concurrence, the Committee, acting for the Corporation, shall forward such calculation and concurrence to the Trustee of the ITT Excess Benefit Trust for the purpose of commencing payment of benefits in accordance with the ITT Excess Benefit Trust (or any other applicable grantor trust). Any question that shall arise with regard to the benefits payable to a Participant or Beneficiary under the ITT Excess Benefit Trust (or any other applicable grantor trust) shall be resolved in accordance with the provisions of said trust.

4.04 Compliance

With respect to benefits hereunder subject to Code Section 409A, the Plan is intended to comply with the requirements of Code Section 409A and the provisions hereof shall be interpreted in a manner that satisfies the requirements of Code Section 409A and the regulations thereunder, and the Plan shall be operated accordingly. If any provision of the Plan would otherwise frustrate or conflict with this intent, the provision will be interpreted and deemed amended so as to avoid this conflict. The Plan has been administered in good faith compliance with Section 409A and the guidance issued thereunder from January 1, 2005 through December 31, 2008.

APPENDIX A**Provisions Applicable to a Participant's Grandfathered Pre-2005 Supplemental Benefit**

This Appendix A constitutes an integral part of the Plan and is applicable with respect to the Grandfathered Pre-2005 Benefit of those individuals who were Participants in the Plan on December 31, 2004. The portion of a Participant's Benefit determined under the provisions of Section 2.02 and Section 2.04(d) of the foregoing provisions of the Plan equal to his Grandfathered Pre-2005 Benefit is subject to the provisions of the Plan as in effect on October 3, 2004, modified as set forth in this Appendix A and without regard to any Plan amendments after October 3, 2004 which would constitute a material modification for Code Section 409A purposes. Section references in this Appendix A correspond to appropriate Sections of the said Plan as in effect on October 3, 2004 as set forth in Appendix B.

Article II — Participation Amount and Payment of Benefits

For purposes of Article II, the terms/phrases "termination of employment," "terminates employment," "retirement", "employment is terminated" or other similar language shall mean, with respect to a Participant, the complete cessation of providing services to the Company and all Associated Companies as an employee.

Section 2.04 Payment of Benefits

- (a) **Retirement or Termination of Employment Effective on and After December 31, 1995**
 - (i) Following a Participant's retirement or termination of employment with the Company and all Associated Companies other than by reason of death, a Participant shall receive his Grandfathered Pre-2005 Benefit in the same form and at the same time as the Participant receives his corresponding retirement allowance or vested benefit under the Retirement Plan, except as otherwise provided below.
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- (ii) Notwithstanding the foregoing provisions of clause (i) above, the portion of his Grandfathered Pre-2005 Benefit attributable to the PEP formula (as defined in Section 4.01(c) of the Retirement Plan shall be payable in the form of a lump sum payment and effective as of January 1, 2008 the Participant's right to convert such PEP formula portion of his Grandfathered Pre-2005 Benefit into a form of life annuity is eliminated.
- (iii) Notwithstanding any provisions the of Plan to the contrary, the provisions of clause (iii) of Section 2.04(a) shall only apply if the Participant completed and filed such lump sum election with the Committee on or prior to December 31, 2008 in accordance with procedures established by the Committee of the Plan. In the event a Participant has made a valid lump sum election under the provisions of this clause (iii), his Grandfathered Pre-2005 Benefit attributable to the TPP formula shall be paid in accordance with the provisions of this clause (iii).

If a Participant becomes Disabled (as defined in Article I of the foregoing provisions of the Plan) prior to his Termination of Employment, the portion of his Disability Supplemental Benefit equal to his Grandfathered Pre-2005 Benefit shall be paid at the same time and in the same form as the Retirement Plan benefit is paid.

(b) **Death Prior to a Participant's Annuity Starting Date**

- (i) The portion of the death benefit determined under Section 2.04(b)(i) of the foregoing provisions of this Plan attributable to a Participant's Grandfathered Pre-2005 Benefit payable to a Participant's spouse (or Registered Domestic Partner) shall be paid in the same form and at the same time said spouse (or Registered Domestic Partner) receives payment under the Automatic Vested Spouse Benefit of the Retirement Plan. Notwithstanding the foregoing, effective on and after January 1, 2008, the portion of any benefit payable under this clause (i) attributable to the PEP
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formula (as defined in Section 4.01(c) of the Retirement Plan) based on his Grandfathered Pre-2005 Benefit shall be payable in a single lump sum payment and effective as of January 1, 2008, the spouse's (or Registered Domestic Partner's) right to convert such PEP formula portion of his Grandfathered Pre-2005 Benefit into a form of life annuity is eliminated.

- (ii) Except as therein provided in clause (iii) of this Section 2.04(b), the portion of the death benefit determined under Section 2.04(b)(ii) of the foregoing provisions of the Plan attributable to a Participant's Grandfathered Pre-2005 Benefit shall be payable to the Participant's Beneficiary at the same time said Beneficiary would have received a Pre-Retirement Survivor's Benefit under Section 4.08(b) of the Retirement Plan, provided, however, the portion of such survivor benefit attributable to the PEP formula (as defined under Section 4.01(c) of the Retirement Plan) shall be paid in a single lump sum payment and effective as of January 1, 2008, the Beneficiary's right to convert such PEP formula portion of his Grandfathered Pre-2005 Benefit into a form of life annuity is eliminated.

Notwithstanding any provisions of the Plan to the contrary, the provisions of clause (iii) of Section 2.04(b) shall only apply if the Participant completed and filed such lump sum election with the Committee on or prior to December 31, 2008 in accordance with procedures established by the Committee of the Plan. In the event a Participant has made a valid lump sum election under the provisions of said clause (iii), his Grandfathered Pre-2005 Benefit attributable to the TPP formula shall be paid in accordance with the provisions of said clause (iii).

Section 2.05 Payment Upon the Occurrence of an Acceleration Event

In the event an Acceleration Event occurs, regardless of whether or not such event satisfies the definition of a Change in Control event as defined in the foregoing provisions of this Plan, the provisions of this Section 2.05 shall apply to the Participant's Grandfathered Pre-2005 Benefit.

APPENDIX B

Provisions of the Plan as in effect on October 3, 2004

This Appendix B constitutes a part of the Plan and contains the Plan provisions as in effect on October 3, 2004.

ITT EXCESS PENSION PLAN IB
Effective as of January 1, 1996
As Amended and Restated as of December 31, 2008

ITT EXCESS PENSION PLAN IB

The ITT Industries Excess Pension Plan IB (the "Plan") has been authorized and adopted by the Board of Directors of ITT Industries, Inc. to be effective as of January 1, 1996. The purpose of the Plan is to provide certain supplemental benefits to certain select management or highly compensated employees who qualify for benefits under the ITT Salaried Retirement Plan (the "Retirement Plan").

Effective as of January 1, 1996, the ITT Industries Excess Pension Plan I was amended (i) to solely provide to individuals who are eligible employees thereunder on and after December 19, 1995, the excess benefits which would have been payable under the Retirement Plan but for the limitations imposed by Sections 415 and 401(a)(17) of the Internal Revenue Code (the "Code") and (ii) to transfer into the ITT Industries Excess Pension Plan IB all liabilities not attributable to such excess benefits.

The Plan was amended, effective as of January 1, 2000, to reflect the changes in the Retirement Plan formula.

Effective as of July 13, 2004, the Plan was amended and restated to make certain administrative changes and to unify the definition of Acceleration Event with other employee benefit plans of ITT Corporation (formerly known as ITT Industries, Inc. (the "Corporation")). Effective as of July 13, 2004, the Plan was further amended to eliminate approval by the Compensation and Personnel Committee of the Board of Directors for lump sum payments made on or after September 1, 2004 and to revise the interest rate assumption utilized to calculate the amount of an elective lump sum payment available upon retirement to a Participant who becomes an Eligible Employee after January 1, 2005.

Effective as of July 1, 2006, the Plan's name was revised to the ITT Excess Pension Plan IB.

Effective as of January 1, 2008, the Plan was amended to freeze participation and to eliminate the election of lump sum distribution after December 31, 2008. Effective as of December 21, 2008, the Plan was amended and restated to comply with the provisions of Section 409A of the Code and the regulations promulgated thereunder.

The benefits accrued and vested under the provisions of the Plan by a Participant who terminated employment with the Corporation and all its Associated Companies prior to January 1, 2005 shall be subject to the provisions of the Plan as in effect on October 3, 2004. In addition, with respect to a Participant who was employed by the Corporation or one of its Associated Companies on January 1, 2005, the portion of his benefit payable under the provisions of this Plan equal to his Grandfathered Pre-2005 Benefit (as defined herein) shall be subject to the provisions of the Plan as in effect on October 3, 2004 (attached hereto as Appendix B and made part hereof) without regard to any Plan amendments after October 3, 2004 which would constitute a material modification for Code Section 409A purposes, unless otherwise provided in Appendix A.

All benefits payable under this Plan, which is intended to constitute both an unfunded excess benefit plan under Section 3(36) of Title I of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), and a nonqualified, unfunded deferred compensation plan for a select group of management employees under Title I of ERISA, shall be paid out of the general assets of the Corporation. The Corporation may establish and fund a trust in order to aid it in providing benefits due under the Plan.

ITT EXCESS PENSION PLAN IB

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ITT EXCESS PENSION PLAN IB

ARTICLE I. DEFINITIONS

The following terms when capitalized herein shall have the meanings assigned below.

- 1.01 **Acceleration Event** shall mean "Acceleration Event" as that term is defined under the provisions of the Plan as in effect on October 3, 2004.
 - 1.02 **Annuity Starting Date** shall mean, unless the Plan expressly provides otherwise, the first day of the first period for which an amount is due as an annuity or any other form. However, if a Change in Control occurs, the Annuity Starting Date of a Participant with regard to his 409A Supplemental Benefit shall be the date such Change in Control occurs.
 - 1.03 **Associated Company** shall mean any division, subsidiary or affiliated company of the Corporation not participating in the Plan which is an Associated Company, as defined in the Retirement Plan.
 - 1.04 **Beneficiary** shall mean the person designated pursuant to the provisions of the Retirement Plan to receive benefits under said Retirement Plan after a Participant's death. In the absence of a beneficiary designation under the provisions of the Retirement Plan, the Participant's Beneficiary shall be his spouse (or Registered Domestic Partner), if any, otherwise his estate. Notwithstanding the foregoing, with respect to any survivor benefit payable pursuant to the provision of Section 2.04(c)(ii) based on the Participant's 409A Supplemental Benefit attributable to the Traditional Pension Plan ("TPP") formula (as defined in Section 4.01(b) of the Retirement Plan), in the absence of a beneficiary designation under the provisions of the Retirement Plan, the Participant's Beneficiary shall be his spouse (or Registered Domestic Partner), if any, otherwise the person or persons named as his beneficiary (or beneficiaries) under the ITT Salaried Investment and Savings Plan, if any, or if none, then the person or persons named as his beneficiary (or beneficiaries) under the Company's life insurance program. For purposes of the Plan, a Registered Domestic Partner shall have the same meaning as set forth in the Retirement Plan.
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- 1.05 **Board of Directors** shall mean the Board of Directors of ITT Corporation or any successor thereto.
- 1.06 **Change in Control** shall mean "Change in Control" as such term is defined under the terms of ITT Excess Pension Plan IIA, as amended from time to time.
- 1.07 **Code** shall mean the Internal Revenue Code of 1986, as amended from time to time.
- 1.08 **Committee** shall mean the Benefits Administration Committee under the Retirement Plan.
- 1.09 **Company** shall mean the Corporation with respect to its employees and any Participating Unit (as that term is defined in the Retirement Plan) authorized by the Corporation to participate in the Plan with respect to its employees.
- 1.10 **Company Pension Plan** shall mean any tax qualified defined benefit plan other than the Retirement Plan maintained by the Company or an Associated Company.
- 1.11 **Corporation** shall mean ITT Corporation, an Indiana corporation, (successor by merger to and formerly known as ITT Industries, Inc.), or any successor by merger, purchase or otherwise.
- 1.12 **Deferred Compensation Program** shall mean any nonqualified deferred compensation plan maintained by the Company or an Associated Company.
- 1.13 **Disability or Disabled** shall mean "Disability" as defined under Treasury Regs. Section 1.409A-3(i)(4)(i) and (ii) and any subsequent guidance thereto.
- 1.14 **Eligible Employee** shall mean a member of the Retirement Plan who occupies on December 31, 2007, or occupied prior to December 31, 2007, a position of senior management with the Corporation at the Vice President level or higher.
- 1.15 **ERISA** shall mean the Employee Retirement Income Security Act of 1974, as amended from time to time.
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- 1.16 **Excess Benefit Portion** shall mean the portion of the Plan which is intended to constitute an unfunded excess benefit plan under Sections 3(36) and 4(b)(5) of Title I of ERISA which provides benefits not otherwise payable under the Retirement Plan due to restrictions imposed by Section 415 of the Code.
- 1.17 **Grandfathered Pre-2005 Benefit** shall mean the portion of the Participant's Supplemental Benefit, if any, that was accrued and vested before January 1, 2005, determined under the provisions of the Plan without regard to any amendments after October 3, 2004 which would cause a material modification for Code Section 409A purposes, the provisions of Section 409A, the regulations promulgated thereunder and other applicable guidance, adjusted for the passage of time based on actuarial equivalent assumptions and procedures established by the Committee in accordance with the provisions of Treasury Regs. 1.409A-6(a)(3)(iv).
- 1.18 **ITT Excess Benefit Trust** shall mean the grantor trust established for this Plan effective as of January 1, 1985.
- 1.19 **Participant** shall mean an Eligible Employee who is participating in the Plan pursuant to Section 2.01 hereof.
- 1.20 **Plan** shall mean the ITT Excess Pension Plan IB, as set forth herein or as amended from time to time.
- 1.21 **Plan Year** shall mean the calendar year.
- 1.22 **Retirement Plan** shall mean the ITT Salaried Retirement Plan (formerly known as the ITT Industries Salaried Retirement Plan), as amended from time to time.
- 1.23 **Select Management Portion** shall mean the portion of the Plan, other than the Excess Benefit Portion, which is intended to constitute an unfunded deferred compensation plan for a select group of management or highly compensated employees under Title I of ERISA.
- 1.24 **Specified Employee** shall mean a "specified employee" as such term is defined in the ITT Excess Pension Plan IA.
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- 1.25 **Supplemental Benefit** shall mean the monthly benefit payable to a Participant as determined under Section 2.02.
 - 1.26 **409A Supplemental Benefit** shall mean the portion of a Participant's Supplemental Benefit, if any, in excess of his Grandfathered Pre-2005 Benefit.
 - 1.27 **Termination of Employment** shall mean a "Separation from Service" as such term is defined in the ITT Excess Pension Plan IA.
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ARTICLE II. PARTICIPATION; AMOUNT AND PAYMENT OF BENEFITS**2.01 Participation**

- (a) Each Eligible Employee who is a Participant in the Plan as of January 1, 2008 shall continue to be a Participant in the Plan, subject to the provisions of paragraph (b) below. Effective as of January 1, 2008, participation in the Plan is frozen and there shall be no new Participants in the Plan on or after that date
- (b) A Participant's participation in the Plan shall terminate upon the Participant's death or other Termination of Employment with the Company and all Associated Companies, unless a benefit is payable under the Plan with respect to the Participant or his Beneficiary under the provisions of this Article II.

2.02 Amount of Supplemental Benefits

- (a) A Participant's Supplemental Benefit under this Article II shall be equal to the excess, if any, of (i) over (ii) as determined below:
 - (i) the monthly retirement allowance or vested benefit determined as of such Participant's Termination of Employment which would have been payable to the Participant under Section 4.02, 4.03, 4.04, 4.05 or 4.06 of the Retirement Plan, whichever is applicable, assuming such benefit commences on the date set forth in Section 2.04(a)(i), (ii) or (iv), whichever is applicable, and
 - (1) prior to the application of any offset required pursuant to Section 4.10 or to an applicable Appendix of the Retirement Plan with regard to benefits payable under any other Company Pension Plan;
 - (2) without regard to the provisions contained in Section 415 of the Code relating to the maximum limitation on benefits, as incorporated into the Retirement Plan;
 - (3) without regard to the annual limitation on Compensation contained in Section 401(a)(17) of the Code, as incorporated into the Retirement Plan; and
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- (4) without regard to deferrals of Compensation made pursuant to a Deferred Compensation program.

over

- (ii) the monthly retirement allowance or vested benefit which would have been payable for the Participant's lifetime under Section 4.02, 4.03, 4.04, 4.05 or 4.06 of the Retirement Plan, whichever is applicable, assuming such benefit commences on the date set forth in Section 2.04(a)(i), (ii) or (iv), whichever is applicable, and determined
 - (1) prior to the application of any offset required pursuant to Section 4.10 or an applicable Appendix of the Retirement Plan with regard to benefits payable under any other Company Pension Plan;
 - (2) without regard to the provisions contained in Section 415 of the Code relating to maximum limitation benefits, as incorporated into the Retirement Plan; and
 - (3) without regard to the annual limitation on Compensation contained in Section 401(a)(17) of the Code, as incorporated into the Retirement Plan.

2.03 Vesting

- (a) A Participant shall be vested in, and have a nonforfeitable right to, the benefit payable under this Article II to the same extent as the Participant is vested in his Accrued Benefit (as that term is defined in the Retirement Plan) under the provisions of the Retirement Plan.
 - (b) Notwithstanding any provision of this Plan to the contrary, in the event of an Acceleration Event, all Participants and their Beneficiaries shall become fully vested in the benefits provided under this Plan.
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2.04 Payment of Benefits**(a) Timing of Payment**

- (i) Subject to the provisions of clause (iii) below, the portion of any Participant's 409A Supplemental Benefit payable under Section 2.02 attributable to the TPP formula (as defined in Section 4.01(b) of the Retirement Plan), to the extent vested pursuant to Section 2.03, shall commence as of the first day of the month following (1) the Participant's Termination of Employment or (2) if the Participant is not at least age 50 on such date of Termination of Employment and his age and service as of such date does not equal 80 or more, the Participant's attainment of age 55, if later.
 - (ii) Notwithstanding the foregoing provisions of clause (i) above and subject to the provisions of clause (iii) below, the portion of any Participant's 409A Supplemental Benefit payable under Section 2.02 attributable to the Pension Equity Plan (PEP) formula (as defined in Section 4.01(c) of the Retirement Plan), to the extent vested pursuant to Section 2.03, shall commence as of the first day of the month following the Participant's Termination of Employment.
 - (iii) Notwithstanding the foregoing, the actual payment of a 409A Supplemental Benefit payable under Section 2.02 due to the Participant's Termination of Employment for reasons other than death or Disability shall not commence prior to the first day of the seventh month following the Participant's Termination of Employment. Any payment due the Participant which he would have otherwise received under Section 2.02 during the six month period immediately following such Participant's Termination of Employment shall be accumulated, with interest, at the IRS Interest Rate (as defined in the Retirement Plan) in accordance with procedures established by the Committee. For the avoidance of doubt, the provisions of this clause (iii) shall not apply to a 409A Supplemental Benefit payable under (1)
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Section 2.04(c) due to the death of the Participant or (2) Section 2.04(d) due to the Participant's Disability.

- (iv) Notwithstanding the foregoing, in the event a Participant who incurred a Termination of Employment prior to January 1, 2009 has not commence payment of his 409A Supplemental Benefit as of January 1, 2009, such Participant's 409A Supplemental Benefit shall commence as of January 1, 2009 or, if later, the date specified in clause (i), (ii) or (iii) above, whichever is applicable.
 - (v) A Participant's Grandfathered Pre-2005 Benefit shall commence in accordance with the provisions of the Plan as in effect on October 3, 2004, modified as set forth in Appendix A and without regard to any Plan amendments after October 3, 2004 which would constitute a material modification for Code Section 409A purposes.
- (b) Form of Benefit**
- (i) Notwithstanding any provisions of the Plan to the contrary, the portion of the Participant's 409A Supplemental Benefit determined under Section 2.02 attributable to the TPP formula (as defined in Section 4.01(b) of the Retirement Plan) shall be paid in the same form as the Participant's supplemental benefit determined under the provisions of the ITT Excess Pension Plan IA attributable to the TPP formula (as defined in Section 4.01(b) of the Retirement Plan), if any, is paid. However, if the Participant is not entitled to a supplemental benefit under the provisions of the ITT Excess Pension IA attributable to the TPP formula, then unless the Participant has a valid election under clause (ii) or (iii) below in effect, the portion of the Participant's 409A Supplemental Benefit determined under Section 2.02 attributable to the TPP formula (as defined in Section 4.01(b) of the Retirement Plan) shall be paid in the form of a single life annuity for the life
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of the Participant, if the Participant is not married on his Annuity Starting Date, or in the form of 50% joint & survivor annuity, if the Participant is married (or has a Registered Domestic Partner) on his Annuity Starting Date.

- (ii) Subject to the provisions of clause (iv) below, a Participant who is not entitled to a supplement benefit under the provisions of the ITT Excess Pension Plan IA attributable to the TPP formula (as defined in Section 4.01(b) of the Retirement Plan) may elect to convert his 409A Supplemental Benefit payable under Section 2.02 attributable to the TPP formula (as defined in Section 4.01(b) of the Retirement Plan) into an optional annuity of equivalent actuarial value available to that Participant under the provisions of Section 4.07(b) of the Retirement Plan as of his Annuity Starting Date, provided said optional annuity satisfies the definition of "life annuity" as provided in Treasury Regs. 1.409A-(2)(b)(2)(ii) and any further guidance thereto. Such equivalent actuarial value shall be based on the applicable factors set forth in Appendix A of the Retirement Plan.
 - (iii) Notwithstanding the foregoing provisions of clause (ii) above, a Participant who is not entitled to a supplement benefit under the provisions of the ITT Excess Pension Plan IA attributable to the TPP formula (as defined in Section 4.01(b) of the Retirement Plan) may, subject to the timing limitations and other restrictions as shall be prescribed by the Committee, elect, by written notice received by the Committee, to receive the portion of his entire Supplemental Benefit payable under this Plan attributable to the TPP formula (as defined in Section 4.01(b) of the Retirement Plan) in the form of a single lump sum payment if upon his Termination of Employment he retires under the provisions of the Retirement Plan at his Postponed Retirement Date, Normal Retirement Date, Standard Early Retirement Date or Special Early Retirement Date (as such terms are defined under the Retirement Plan). Such election must be completed and filed with the Plan Committee no later than December 31, 2008 and shall become irrevocable as of January 1, 2009.
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However, if the Participant who has made a valid election under the provisions of this Section 2.04(b)(iii) or under Section 2.04(b)(iii) of the ITT Excess Pension Plan IA dies after his Early, Normal or Postponed Retirement Date (as such terms are defined under the Retirement Plan) but prior to receiving his lump sum payment, the payment shall be made to the Participant's Beneficiary with the calculation of such payment based on the assumption that payment had been made immediately preceding the Participant's date of death. For avoidance of doubt, if a Participant has not satisfied the eligibility requirements to retire under the Retirement Plan with an early, normal or postponed retirement allowance upon his Termination of Employment, the election of a lump sum payment under the provisions of the clause (iii) shall not be effective.

Such lump sum payment shall be calculated on an actuarial equivalent basis using the interest rate assumption for immediate annuities used by the Pension Benefit Guaranty Corporation ("PBG") for valuing benefits for single employer plans as published by the PBGC for the month in which the payment is effective and the mortality table utilized as of such date under the provisions of the Retirement Plan to calculate the amount of a small lump sum cashout. Notwithstanding the preceding sentence, with respect to a Participant who becomes an Eligible Employee (as defined in Section 1.14 of the Plan) after January 1, 2005, such lump sum payment shall be calculated on an actuarial equivalent basis using the IRS Interest Rate (as defined in the Retirement Plan) as published in the fourth month prior to the month following the month in which the Participant's Termination of Employment occurs and the mortality table utilized as of such date under the provisions of the Retirement Plan to calculate the amount of a small lump sum cashout. The calculation of a lump sum payment under this clause (iii) shall be based on the Participant's benefit determined pursuant to Section 2.02 attributable to the TPP formula portion (as defined in Section 4.01(b) of the Retirement Plan) of such benefit as if it were paid in the form of a single life annuity to the

Participant. The calculation of a lump sum payment hereunder shall be made without regard to the possibility of any future changes after the Participant's Annuity Starting Date in the amount of benefits payable under the Retirement Plan because of future changes in the limitations referred to in Section 2.02. This lump sum payment plus any payment made pursuant to the provisions of clause (v) below represents a complete settlement of all 409A Supplemental Benefits due on the Participant's behalf under the Plan.

- (iv) Notwithstanding the foregoing and subject to the provisions of Section 409A of the Code, a Participant's election to receive his 409A Supplemental Benefit attributable to the TPP formula (as defined in Section 4.01(b) of the Retirement Plan) in an optional annuity form of payment as described in clause (ii) above shall be effective as of the Participant's Annuity Starting Date applicable to that portion of his 409A Supplemental Benefit, provided the Participant makes and submits to the Committee in the manner prescribed by the Committee, his election of such optional annuity form prior to such applicable Annuity Starting Date. Unless otherwise provided under clause (iii) above, a Participant who fails to elect an optional annuity form of benefit applicable to the TPP formula portion of his 409A Supplemental Benefit in a timely manner shall receive such benefit in accordance with the provisions of clause (i) above,
 - (v) Notwithstanding the foregoing provisions of this Section 2.04(b), the portion of a Participant's 409A Supplemental Benefit payable under Section 2.02 attributable to the PEP formula (as defined in Section 4.01(c) of the Retirement Plan) shall be payable in the form of a single lump sum payment. Such lump sum payment shall be calculated on the same basis as provided in Section 4.07(b)(v) of the Retirement Plan using the IRS Mortality Table and IRS Interest Rate (as defined in the Retirement Plan).
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- (vi) The portion of the Participant's Grandfathered Pre-2005 Benefit payable under Section 2.02 attributable to the TPP formula (as defined in Section 4.01(b) of the Retirement Plan) shall commence and the form of payment of such benefit shall be determined in accordance with the provisions of the Plan as in effect on October 3, 2004, modified as set forth in Appendix A and without regard to any Plan amendments after that date which would constitute a material modification for Code Section 409A purposes, unless a Participant has a valid election under either clause (iii) above or Section 2.04(b)(ii) of the ITT Excess Pension Plan IA in effect as of his date of Termination of Employment. The portion of the Participant's Grandfathered Pre-2005 Benefit payable under Section 2.02 attributable to the PEP formula (as defined in Section 4.01(c) of the Retirement Plan) shall be payable in accordance with the provisions of the Plan as in effect on October 3, 2004, modified as set forth in Appendix A and without regard to any Plan amendments after October 3, 2004 which would constitute a material modification for Code Section 409A purposes.
 - (c) **Death Prior to a Participant's Annuity Starting Date**
 - (i) If a Participant entitled to a vested benefit under the Retirement Plan dies (1) before meeting the eligibility requirements for an Automatic Pre-Retirement Survivor's Benefit under Section 4.08(b) of the Retirement Plan and while in active service with the Company or any Associated Company or while Disabled but before his Annuity Starting Date, or (2) after Termination of Employment with entitlement to a vested benefit hereunder but prior to his Annuity Starting Date, the Participant's spouse (or Registered Domestic Partner) shall receive a monthly payment for life equal to the monthly income which would have been payable to such spouse (or Registered Domestic Partner) under Section 4.08(a) of the Retirement Plan based on the hypothetical benefit attributable to his Supplemental Benefit as calculated under Section 2.02 hereof assuming payments commence as of the first day of the month following the Participant's date of death, or attainment of age 55, if
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later. The portion of such survivor benefit attributable to the Participant's 409A Supplemental Benefit shall commence as of the first day of the month following the later of the Participant's date of death or the Participant's attainment of age 55 (or in the event clause (iv) is applicable, the date specified in clause (iv)) Notwithstanding the foregoing, the portion of any benefit payable under this clause (i) attributable to the PEP formula portion (as defined in Section 4.01(c) of the Retirement Plan) of the benefit which would have been payable to the spouse based on the hypothetical 409A Supplemental Benefit as calculated under Section 2.02 shall be determined assuming that portion of the survivor benefit commences as of the first day of the month following the Participant's date of death (or the date specified in clause (iv), if later) and such benefit shall be payable in the form of a single lump sum payment as of the first day of the month following the Participant's date of death. This lump sum payment shall be calculated on the same basis as provided in Section 4.08(a)(iii) of the Retirement Plan using the IRS Mortality Table and IRS Interest Rate (as defined in the Retirement Plan). Notwithstanding any Plan provision to the contrary, the portion of any survivor benefit payable under this clause (i) attributable to the Participant's Grandfathered Pre-2005 Benefit shall be payable in accordance with the provisions of the Plan as in effect on October 3, 2004, modified as set forth in Appendix A, and without regard to any Plan amendments after October 3, 2004 which would constitute a material modification for Code Section 409A purposes.

- (ii) Except as otherwise provided below or in clause (iii) of this Section 2.04(c), in the event a Participant who has satisfied the eligibility requirements for the Automatic Pre-Retirement Survivor's Benefit under Section 4.08(b) of the Retirement Plan, dies (1) while in active service with the Company or any Associated Company or (2) after his Termination of Employment or the date he becomes Disabled, if earlier, but prior to his Annuity Starting Date, the Participant's Beneficiary, if any, shall receive a monthly payment for the life
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of the Beneficiary equal to the monthly income which would have been payable to such Beneficiary under Section 4.08(b) of the Retirement Plan based on the hypothetical retirement benefit attributable to his Supplemental Benefit as calculated under Section 2.02 hereof assuming payments commence on the first day of the month following the Participant's death (or the date specified in clause (iv), if later). Notwithstanding the foregoing, the portion of any benefit payable under this clause (ii) attributable to the PEP formula portion (as defined in Section 4.01(c) of the Retirement Plan) of the benefit which would have been payable to the Beneficiary based on the hypothetical 409A Supplemental Benefit as calculated under Section 2.02 shall be payable in the form of a single lump sum payment. This lump sum payment shall be calculated on the same basis as provided in Section 4.08(b)(iii) of the Retirement Plan using the IRS Mortality Table and IRS Interest Rate (as defined in the Retirement Plan). The portion of any benefit payable under this clause (ii) attributable to a Participant's 409A Supplemental Benefit as calculated under Section 2.02 hereof shall commence on the first day of the month following the Participant's death.

The portion of such survivor benefit payable under this clause (ii) of paragraph (c) attributable to the Participant's Grandfathered Pre-2005 Benefit shall commence in accordance with the provisions of the Plan as in effect on October 3, 2004, modified as set forth in Appendix A, and without regard to any Plan amendments after October 3, 2004 which would constitute a material modification for Code Section 409A purposes.

- (iii) Notwithstanding the foregoing, in the event a Participant, who has satisfied the eligibility requirements to retire under the Retirement Plan with an early, normal or postponed retirement allowance, has filed a valid election to receive a lump sum payment of benefits under the provisions of (1) Section 2.04(b)(iii) above or (2) Section 2.04(b)(iii) of the ITT Excess Pension Plan IA, dies on or after age 55 and prior to his Annuity Starting Date, the
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Beneficiary of such Participant shall receive a single lump sum amount determined as follows:

- (A) In the event of the Participant's death (i) prior to his Termination of Employment or (ii) after he becomes Disabled but prior to his Annuity Starting Date, the lump sum payment shall be equal to the value of the Participant's benefit attributable to his Supplemental Benefit, if any, accrued to his date of death as determined under the provisions of Section 2.02 hereof.
- (B) In the event of any other Participant's death after his Termination of Employment and prior to his Annuity Starting Date, the lump sum payment shall be equal to the value of the Participant's Supplemental Benefit accrued to the Participant's Termination of Employment as determined under the provisions of Section 2.02 hereof.

The portion of the lump sum payment under this clause (iii) attributable to the PEP formula portion (as defined in Section 4.01(c) of the Retirement Plan) of his 409A Supplemental Benefit, if any, shall be calculated on the same basis as provided in Section 4.08(b)(iii) of the Retirement Plan using the IRS Mortality Table and IRS Interest Rate (as defined in the Retirement Plan) determined as if the Participant's Annuity Starting Date was the first day of the month following the earlier of his Termination of Employment or his date of death. The portion of the lump sum payment under this clause (iii) attributable to the TPP formula portion (as defined in Section 4.01(b) of the Retirement Plan) of the Participant's 409A Supplemental Benefit shall be (1) based on the Participant's Plan benefit attributable to the TPP formula portion (as defined in Section 4.01(b) of the Retirement Plan) as if it were paid in the form of a single life annuity to the Participant and (2) calculated on an actuarial equivalent basis using the interest rate assumption for immediate annuities used by the PBGC for valuing benefits for single employer plans as published by the PBGC for the month following the Participant's date of Termination of Employment or, if earlier, the date of his death and the

mortality table utilized as of such date under the provisions of the Retirement Plan to calculate the amount of a small lump sum cashout. Notwithstanding the preceding sentence, with respect to a Participant who becomes an Eligible Employee (as defined in Section 1.14 of the Plan) after January 1, 2005, the lump sum payment in the preceding sentence shall be calculated on an actuarial equivalent basis using the IRS Interest Rate (as defined in the Retirement Plan) as published in the fourth month prior to the month in which the Participant's Termination of Employment or, if earlier, date of death occurs and the mortality table utilized as of such date under the provisions of the Retirement Plan to calculate the amount of a small lump sum cashout. The calculation of a lump sum payment hereunder shall be made without regard to the possibility of any future changes after the Participant's death in the amount of benefits payable under the Retirement Plan because of future changes in the limitations referred to in Section 2.02.

Notwithstanding the foregoing, a total lump sum payment under this clause (iii) shall only be made to the Participant's Beneficiary if the Participant has filed an election to receive a lump sum payment of any benefits under the provisions of (i) Section 2.04(a)(iii) or (ii) Section 2.04(a)(iii) of the Excess Pension Plan IA in accordance with the timing limitations and other restrictions prescribed by the Committee. Payment shall be made to the Participant's Beneficiary as soon as practicable after the Participant's date of death. The lump sum payment under this clause (iii) represents a complete settlement of all benefits due the Beneficiary on the Participant's behalf under the Plan.

Notwithstanding the foregoing, the portion of such survivor benefit attributable to the Participant's Grandfathered Pre-2005 Benefit shall be paid in accordance with the provisions of the Plan as in effect on October 3, 2004, modified as set forth in Appendix A, and without regard to any Plan

amendments after October 3, 2004 which would constitute a material modification for Code Section 409A purposes.

- (iv) Notwithstanding the foregoing, in the event the survivor benefit payable under this Section 2.04(c) to the spouse or Beneficiary of a Participant who died prior to January 1, 2009 has not commenced as of January 1, 2009, such survivor benefit shall commence as of January 1, 2009 or, if later, the date specified in clauses (i), (ii) or (iii) above, whichever is applicable.

(d) Disability prior to Termination of Employment

- (i) Notwithstanding any Plan provision to the contrary, in the event a Participant becomes Disabled prior to his Termination of Employment, he shall be entitled to a Disability Supplemental Benefit equal to the amount determined under the provisions of Section 2.02(a) based on his years of Benefit Service (as such term is defined in the Retirement Plan) accrued to the date he came Disabled plus the years of Benefit Service (as such term is defined in the Retirement Plan) the Participant accrues under the terms of the Retirement Plan after the date he becomes Disabled and prior to his attainment of age 65.
 - (ii) The portion of the Disability Supplemental Benefit determined under the provisions of clause (i) in excess of the Participant's Grandfathered Pre-2005 Benefit shall be paid in accordance with the provisions of paragraph (b) above and payments shall commence on the first day of the month following the month in which the Participant attains age 65.
 - (iii) Notwithstanding the foregoing, the portion of the Disability Supplemental Benefit attributable to the Participant's Grandfathered Pre-2005 Benefit shall be paid in accordance with the provisions of the Plan as in effect on October 3, 2004, modified as set forth in Appendix A, and without regard to any Plan amendments after October 3, 2004 which would constitute a material modification for Code Section 409A purposes.
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2.05 Payment upon the Occurrence of a Change in Control

Upon the occurrence of a Change in Control, (i) all retired Participants then receiving or then entitled to receive a 409A Supplemental Benefit under the Plan, (ii) all former Participants then receiving or then entitled to receive a 409A Supplemental Benefit hereunder, and (iii) all Participants who are then still in active service shall automatically receive, in a single lump sum payment, the 409A Supplemental Benefit remaining due as of the Change in Control to any such retired or former Participant or the benefit, if any, accrued by such active Participant up to the Change in Control event and as determined under Section 2.02 hereof. The amount of such lump sum payment attributable to the PEP formula portion (as defined in Section 4.01(c) of the Retirement Plan) of the Participant's 409A Supplemental Benefit payable under this Plan not in payment status as of the occurrence of a Change in Control event shall be calculated on the same basis as provided in Section 4.07(b)(v) of the Retirement Plan using the IRS Mortality Table and IRS Interest Rate (as defined in the Retirement Plan) determined as if the date the Change in Control event occurs is the Participant's Annuity Starting Date. The amount of the lump sum payment attributable to the TPP formula portion of the Participant's 409A Supplemental Benefit payable under this Plan shall be calculated on an actuarial equivalent basis using (i) the interest rate assumption used by the PBGC for valuing benefits for single employer plans as published by the PBGC for the month in which such Change in Control event occurs and (ii) the mortality table utilized as of the day immediately preceding the date the Change in Control event occurs under the provisions of the Retirement Plan to calculate the amount of a small lump sum cashout. The interest rate for immediate annuities will be used, if the Participant has met the eligibility requirements to retire under the Retirement Plan with an early, normal or postponed retirement allowance as of the Change in Control or is then in receipt of monthly payments under this Plan, otherwise the Plan shall use the interest rate assumption for deferred annuities to the earliest date the Participant could have commenced payment of such benefit or, if it results in a larger lump sum, his Normal Retirement Date (as defined under the Retirement Plan) If the Participant is not in receipt of his monthly 409A Supplemental Benefit payments under this Plan as of the Change in Control, the

calculation of a lump sum payment hereunder of the portion of the Participant's accrued benefit payable under this Plan attributable to the TPP formula portion (as defined under Section 4.01(b) of the Retirement Plan) shall be based on the Participant's 409A Supplemental Benefit payable under Section 2.02 attributable to such TPP formula as if it were paid in the form of a single life annuity to the Participant commencing on the Participant's Annuity Starting Date; provided, however, if the Participant has not met the eligibility requirements to retire under the Retirement Plan with an early, normal or postponed retirement allowance, the calculation of such lump sum payment shall be based on the Participant's accrued 409A Supplemental Benefit payable under Section 2.02 attributable to such TPP formula as if it were paid in the form of a single life annuity to the Participant commencing on the earliest date he could have commenced payment of such benefit. In no event, however, shall the lump sum payment determined under the preceding sentence be less than the lump sum payment based on the Participant's accrued 409 Supplemental Benefit payable under Section 2.02 attributable to such TPP formula as if it were paid in the form of a single life annuity to the Participant commencing on his Normal Retirement Date. The calculation of a lump sum payment hereunder shall be made on the basis of the Participant's age (and Beneficiary's age, if applicable) at the Change in Control and without regard to the possibility of any future changes after the Change in Control in the amount of benefits payable hereunder because of future changes in the limitations referred to in Section 2.02. The lump sum payment shall be made within ninety (90) days of the date the Change in Control event occurs. In the event the Participant dies after such Change in Control event occurs but before receiving such payment, the lump sum payment shall be made to his Beneficiary. This lump sum payment represents a complete settlement of all benefits on the Participant's behalf under the Plan.

For avoidance of doubt, upon the occurrence of an Acceleration Event, (either prior, after or simultaneously with the occurrence of a Change of Control) the provisions of Section 2.05 of the Plan as in effect on October 3, 2004 without regard to any Plan amendments after October 3, 2004 which would constitute a material modification for Code Section 409A purposes shall be applicable to a Participant's Grandfathered Pre-2005 Benefit.

2.06 Reemployment of Former Participant or Retired Participant

If a Participant who retired or otherwise terminated employment with the Company and all Associated Companies is reemployed as an employee by the Company or an Associated Company, such reemployment shall have no impact on the payment or timing of payment of any 409A Supplement Benefits earned prior to reemployment.

ARTICLE III. GENERAL PROVISIONS**3.01 Funding**

- (a) All amounts payable in accordance with this Plan shall constitute a general unsecured obligation of the Corporation. Such amounts, as well as any administrative costs relating to the Plan, shall be paid out of the general assets of the Corporation, to the extent not paid from the assets of any trust established pursuant to paragraph (b) below.
 - (b) The Corporation may, for administrative reasons, establish a grantor trust for the benefit of Participants in the Plan. The assets placed in said trust shall be held separate and apart from other Corporation funds and shall be used exclusively for the purposes set forth in the Plan and the applicable trust agreement, subject to the following conditions:
 - (i) the creation of said trust shall not cause the Plan to be other than “unfunded” for purposes of Title I of ERISA;
 - (ii) the Corporation shall be treated as “grantor” of said trust for purposes of Section 677 of the Code; and
 - (iii) the agreement of said trust shall provide that its assets may be used upon the insolvency or bankruptcy of the Corporation to satisfy claims of the Company’s general creditors and that the rights of such general creditors are enforceable by them under federal and state law.
 - (c) To the extent that any person acquires a right to receive payments under the Plan, such right shall be no greater than the right of any unsecured creditor of the Corporation.
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3.02 Duration of Benefits

Benefits shall accrue under the Plan on behalf of a Participant only for so long as the deferrals of compensation under a Deferred Compensation Program or other restrictions referred to in Section 2.02 reduce such benefits.

3.03 Discontinuance and Amendment

The Board of Directors reserves the right to modify, amend, or discontinue in whole or in part, benefit accruals under the Plan at any time. However, no modification, amendment, or discontinuance shall adversely affect the right of any Participant to receive the benefits accrued as of the date of such modification, amendment or discontinuance and after the occurrence of an Acceleration Event, no modification or amendment shall be made to Sections 2.03 or 2.05. Notwithstanding the foregoing, following any amendment and except as provided in Article II with respect to lump sum payments hereunder, benefits may be adjusted as required to take into account the amount of benefits payable under the Retirement Plan after the application of the limitations referred to in Section 2.02.

3.04 Termination of Plan

The Board of Directors reserves the right to terminate the Plan at any time, provided, however, that no termination shall be effective retroactively. As of the effective date of termination of the Plan,

- (a) the benefits of any Participant or Beneficiary whose benefit payments have commenced shall continue to be paid, but only to the extent such benefits are not otherwise payable under the Retirement Plan because of the limitations referred to in Section 2.02, and
 - (b) no further benefits shall accrue on behalf of any Participant whose benefits have not commenced, and such Participant and his Beneficiary shall retain the right to benefits hereunder; provided that, on or after the effective date of termination,
 - (i) the Participant is vested under the Retirement Plan and
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(ii) such benefits are not at any time otherwise payable under the Retirement Plan because of the limitations imposed by IRC Section 415 or Section 401(a)(17).

All other provisions of this Plan shall remain in effect.

3.05 Plan Not a Contract of Employment

This Plan is not a contract of employment, and the terms of employment of any Participant shall not be affected in any way by this Plan or related instruments, except as specifically provided therein. The establishment of this Plan shall not be construed as conferring any legal rights upon any person for a continuation of employment, nor shall it interfere with the rights of the Corporation to discharge any person and to treat him without regard to the effect which such treatment might have upon him under this Plan. Each Participant and all persons who may have or claim any right by reason of his participation shall be bound by the terms of this Plan and all agreements entered into pursuant thereto.

3.06 Facility of Payment

In the event that the Committee shall find that a Participant is unable to care for his affairs because of illness or accident or is a minor or has died, the Committee may, unless claim shall have been made therefore by a duly appointed legal representative, direct that any benefit payment due him, to the extent not payable from a grantor trust, be paid on his behalf to his spouse, a child, a parent or other blood relative, or to a person with whom he resides, and any such payment so made shall be a complete discharge of the liabilities of the Corporation and the Plan therefore.

3.07 Withholding Taxes

The Company and an Associated Company shall have the right to deduct from each payment to be made under the Plan any required withholding taxes.

3.08 Nonalienation

Subject to any applicable law, no benefit under the Plan shall be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance or charge, and any attempt to do so shall be void, nor shall any such benefit be in any manner liable for or subject to garnishment, attachment, execution or levy, or liable for or subject to the debts, contracts, liabilities, engagements or torts of the person entitled to such benefits.

3.09 Forfeiture for Cause

In the event that a Participant shall at any time be convicted of a crime involving dishonesty or fraud on the part of such Participant in his relationship with the Company or an Associated Company, all benefits that would otherwise be payable to him or to a Beneficiary under the Plan shall be forfeited.

3.10 Transfers

- (a) Notwithstanding any Plan provision to the contrary, in the event the Corporation (i) sells, causes the sale of, or sold the stock or assets of any employing company in the controlled group of the Corporation to a third party or (ii) distributes or distributed to the holders of shares of the Corporation's common stock all of the outstanding shares of common stock of a subsidiary or subsidiaries of the Corporation, and, as a result of such sale or distribution, such company (or subsidiary) or its employees are no longer eligible to participate hereunder, the liabilities with respect to the benefits accrued under this Plan for a Participant who, as a result of such sale or distribution, is no longer eligible to participate in this Plan, shall, at the discretion and direction of the Corporation (and approval by the new employer), be transferred to a similar plan of such new employer and become a liability thereunder. Upon such transfer (and acceptance thereof by such new employer) the liabilities for such transferred benefits shall become the obligation of the new employer and the liability under this Plan for such benefits shall then cease.
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- (b) Notwithstanding any Plan provision to the contrary, at the discretion and direction of the Corporation, liabilities with respect to benefits accrued by a Participant under a plan maintained by such Participant's former employer may be transferred to this Plan and upon such transfer shall become the obligation of the Corporation.

3.11 Acceleration of or Delay in Payments

The Committee, in its sole and absolute discretion, may elect to accelerate the time or form of payment of a benefit owed to the Participant hereunder, provided such acceleration is permitted under Treasury Regs. Section 1.409A-3(j)(4). The Committee may also, in its sole and absolute discretion, delay the time for payment of a benefit owed to the Participant hereunder, to the extent permitted under Treasury Regs. Section 1.409A-2(b)(7).

3.12 Indemnification.

The Company, the members of the Committee, and the officers, employees and agents of the Company shall, unless prohibited by any applicable law, be indemnified against any and all liabilities arising by reason of any act or failure to act in relation to the Plan including, without limitation, expenses reasonably incurred in the defense of any claim relating to the Plan, amounts paid in any compromise or settlement relating to the Plan and any civil penalty or excise tax imposed by any applicable statute, if

- (a) the act or failure to act shall have occurred
- (i) in the course of the person's service as an officer, employee or agent of the Company or as a member of the Committee, or as the Plan administrator, or
 - (ii) in connection with a service provided with or without charge to the Plan or; to the Participants or Beneficiaries of the Plan, if such service was requested by the Committee or the Plan administrator; and
- (b) the act or failure to act is in good faith and in, or not opposed to, the best interests of the Corporation.
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This determination shall be made by the Corporation and, if such determination is made in good faith and not arbitrarily or capriciously, shall be conclusive.

The foregoing indemnification shall be from the assets of the Corporation. However, the Corporation's obligation hereunder shall be offset to the extent of any otherwise applicable insurance coverage under a policy maintained by the Corporation or any other person, or other source of indemnification.

3.13 Claims Procedure

(a) Submission of Claims

Claims for benefits under the Plan shall be submitted in writing to the Committee or to an individual designated by the Committee for this purpose.

(b) Denial of Claim

If any claim for benefits is wholly or partially denied, the claimant shall be given written notice within 90 days following the date on which the claim is filed, which notice shall set forth

- (i) the specific reason or reasons for the denial;
- (ii) specific reference to pertinent Plan provisions on which the denial is based;
- (iii) a description of any additional material or information necessary for the claimant to perfect the claim and an explanation of why such material or information is necessary; and
- (iv) an explanation of the Plan's claim review procedure, including information as to the steps to be taken if the claimant wishes to submit the claim for review and the time limits for requesting a review.

If special circumstances require an extension of time for processing the claim, written notice of an extension shall be furnished to the claimant prior to the end of the initial period of 90 days following the date on which the claim is filed. Such an extension may not exceed a period of 90 days beyond the end of said initial period.

If the claim has not been granted and written notice of the denial of the claim is not furnished within 90 days following the date on which the claim is filed, the claim shall be deemed denied for the purpose of proceeding to the claim review procedure.

(c) Claim Review Procedure

The claimant or his authorized representative shall have 60 days after receipt of written notification of denial of a claim to request a review of the denial by making written request to the Committee, and may review pertinent documents and submit issues and comments in writing within such 60-day period.

Not later than 60 days after receipt of the request for review, the persons designated by the Company to hear such appeals (the "Appeals Committee") shall render and furnish to the claimant a written decision, which shall include specific reasons for the decision and shall make specific references to pertinent Plan provisions on which it is based. If special circumstances require an extension of time for processing, the decision shall be rendered as soon as possible, but not later than 120 days after receipt of the request for review, provided that written notice and explanation of the delay are given to the claimant prior to commencement of the extension. Such decision by an Appeals Committee shall not be subject to further review. If a decision on review is not furnished to a claimant within the specified time period, the claim shall be deemed to have been denied on review.

(d) Exhaustion of Remedy

No claimant shall institute any action or proceeding in any state or federal court of law or equity or before any administrative tribunal or arbitrator for a claim for benefits under the Plan until the claimant has first exhausted the procedures set forth in this section.

3.14 Construction

- (a) The Plan is intended to constitute both an excess benefit arrangement and an unfunded deferred compensation arrangement maintained for a select group of management or highly compensated employees within the meaning of Sections 201(2), 301(a)(3), and 401(a)(1) of ERISA, and all rights under this Plan shall be governed by ERISA. Subject to the preceding sentence, the Plan shall be construed, regulated and administered under the laws of the State of New York, to the extent such laws are not superseded by applicable federal law.
 - (b) The masculine pronoun shall mean the feminine wherever appropriate.
 - (c) The illegality of any particular provision of this document shall not affect the other provisions and the document shall be construed in all respects as if such invalid provision were omitted.
 - (d) The headings and subheadings in the Plan have been inserted for convenience of reference only, and are to be ignored in any construction of the provisions thereof.
 - (e) The Plan shall be construed, regulated and administered in accordance with the laws of the State of New York, subject to the provisions of applicable federal laws
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ARTICLE IV. PLAN ADMINISTRATION**4.01 Responsibility for Benefit Determination**

The benefit of a Participant or Beneficiary under this Plan shall be determined either by the Committee, as provided in Section 4.02 below, or such other party as is authorized under the terms of any grantor trust.

4.02 Duties of Committee

The Committee shall calculate, in accordance with Article II, the benefit of each Participant or Beneficiary under the Plan. To the extent a Participant's, spouse's or Beneficiary's benefit are payable from the Plan, the Committee shall have full discretionary authority to resolve any question which shall arise under the Plan as to any person's eligibility for benefits, the calculation of benefits, the form, commencement date, frequency, duration of payment, or the identity of the Beneficiary. Such question shall be resolved by the Committee under rules uniformly applicable to all person(s) or employee(s) similarly situated. It is the intent of the Corporation that the provisions of the Plan comply with the provisions of Section 409A of the Code, any regulations and other guidance promulgated with respect thereto and the provisions of the Plan shall be interpreted to be consistent therewith.

4.03 Procedure for Payment of Benefits Under the Plan

With respect to any benefit to which a Participant or Beneficiary is entitled under this Plan which is not payable under the ITT Excess Benefit Trust, or any other applicable grantor trust established by the Corporation to pay benefits under the Plan, the Committee (i) shall direct the commencement of benefit payments hereunder in accordance with the applicable procedures established by the Corporation, the Company and/or the Committee regarding the disbursement of amounts from the general funds of the Corporation and (ii) shall arrange, in conjunction with any other applicable excess benefit plan, for the payment of benefits under this Plan and/or any other applicable excess benefit plan.

With respect to any benefit to which a Participant or Beneficiary is entitled under this Plan which is payable under the ITT Excess Benefit Trust (or any other applicable grantor trust), the Committee, acting for the Corporation and in accordance with the terms of the ITT Excess Benefit Trust (or any other applicable grantor trust), shall forward the calculation of the Participant's or Beneficiary's benefit under Article II of the Plan to the Participant or Beneficiary for concurrence. Upon obtaining concurrence, the Committee, acting for the Corporation, shall forward such calculation and concurrence to the Trustee of the ITT Excess Benefit Trust for the purpose of commencing payment of benefits in accordance with the ITT Excess Benefit Trust (or any other applicable grantor trust). Any question that shall arise with regard to the benefits payable to a Participant or Beneficiary under the ITT Excess Benefit Trust (or any other applicable grantor trust) shall be resolved in accordance with the provisions of said trust.

4.04 Compliance

With respect to benefits hereunder subject to Code Section 409A, the Plan is intended to comply with the requirements of Code Section 409A and the provisions hereof shall be interpreted in a manner that satisfies the requirements of Code Section 409A and the regulations thereunder, and the Plan shall be operated accordingly. If any provision of the Plan would otherwise frustrate or conflict with this intent, the provision will be interpreted and deemed amended so as to avoid this conflict. The Plan has been administered in good faith compliance with Section 409A and the guidance issued thereunder from January 1, 2005 through December 31, 2008.

APPENDIX A**Provisions Applicable to a Participant's Grandfathered Pre-2005 Supplemental Benefit**

This Appendix A constitutes an integral part of the Plan and is applicable with respect to the Grandfathered Pre-2005 Benefit of those individuals who were Participants in the Plan on December 31, 2004. The portion of a Participant's Benefit determined under the provisions of Section 2.02 and Section 2.04(d) of the foregoing provisions of the Plan equal to his Grandfathered Pre-2005 Benefit is subject to the provisions of the Plan as in effect on October 3, 2004, modified as set forth in this Appendix A and without regard to any Plan amendments after October 3, 2004 which would constitute a material modification for Code Section 409A purposes.. Section references in this Appendix A correspond to appropriate Sections of the said Plan as in effect on October 3, 2004 as set forth in Appendix B.

Article II – Participation Amount and Payment of Benefits

For purposes of Article II, the terms/phrases "termination of employment," "terminates employment," "retirement", "employment is terminated" or other similar language shall mean, with respect to a Participant, the complete cessation of providing services to the Company and all Associated Companies an employee.

Section 2.04 Payment of Benefits**(b) Retirement or Termination of Employment Effective on or After January 1, 1996**

- (i) Following a Participant's retirement or termination of employment with the Company and all Associated Companies other than by reason of death, a Participant shall receive his Grandfathered Pre-2005 Benefit in the same form and at the same time as the Participant receives his corresponding retirement allowance or vested benefit under the Retirement Plan, except as otherwise provided below.
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- (ii) Notwithstanding the foregoing provisions of clause (i) above, the portion of his Grandfathered Pre-2005 Benefit attributable to the PEP formula (as defined in Section 4.01(c) of the Retirement Plan) shall be payable in the form of a lump sum payment and effective as of January 1, 2008, the Participant's right to convert such PEP formula portion of his Grandfathered Pre-2005 Benefit into a form of life annuity is eliminated.
- (iii) Notwithstanding any provisions the of Plan to the contrary, the provisions of clause (iii) of Section 2.04(b) shall only apply if the Participant completed and filed a lump sum election pursuant to either the forgoing provisions of this Plan or Section 2.04(b)(iii) of the ITT Excess Pension Plan IA, whichever is applicable, with the Committee on or prior to December 31, 2008 in accordance with procedures established by the Committee of the Plan. In the event a Participant has made a valid lump sum election under the provisions of this clause (iii), his Grandfathered Pre-2005 Benefit attributable to the TPP formula shall be paid in accordance with the provisions of this clause (iii).

If a Participant becomes Disabled (as defined in Article I of the foregoing provisions of the Plan) prior to his Termination of Employment, the portion of his Disability Supplemental Benefit equal to his Grandfathered Pre-2005 Benefit shall be paid at the same time and in the same form as the Retirement Plan benefit is paid.

(c) **Death Prior to a Participant's Annuity Starting Date**

- (i) The portion of the death benefit determined under Section 2.04(c)(i) of the foregoing provisions of this Plan attributable to a Participant's Grandfathered Pre-2005 Benefit payable to a Participant's spouse (or Registered Domestic Partner) shall be paid in the same form and at the same time said spouse (or Registered Domestic Partner) receives payment under the Automatic Vested Spouse Benefit of the Retirement Plan.
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Notwithstanding the foregoing, effective on and after January 1, 2008, the portion of any benefit payable under this clause (i) attributable to the PEP formula (as defined in Section 4.01(c) of the Retirement Plan) based on his Grandfathered Pre-2005 Benefit shall be payable in a single lump sum payment and effective as of January 1, 2008, the spouse's (or Registered Domestic Partner's) right to convert such PEP formula portion of his Grandfathered Pre-2005 Benefit into a form of life annuity is eliminated.

- (ii) Except as therein provided in clause (iii) of this Section 2.04(c), the portion of the death benefit determined under Section 2.04(c)(ii) of the foregoing provisions of the Plan attributable to a Participant's Grandfathered Pre-2005 Benefit shall be payable to the Participant's Beneficiary at the same time said Beneficiary would have received a Pre-Retirement Survivor's Benefit under Section 4.08(b) of the Retirement Plan, provided, however, the portion of such survivor benefit attributable to the PEP formula (as defined under Section 4.01(c) of the Retirement Plan) shall be paid in a single lump sum payment and effective as of January 1, 2008, the Beneficiary's right to convert such PEP formula portion of his Grandfathered Pre-2005 Benefit into a form of life annuity is eliminated.

Notwithstanding any provisions of the Plan to the contrary, the provisions of clause (iii) of Section 2.04(c) shall only apply if the Participant completed and filed a lump sum election under the provisions of the Plan or Section 2.04(c)(iii) of the ITT Excess Pension Plan 1A, whichever is applicable, with the Committee on or prior to December 31, 2008 in accordance with procedures established by the Committee of the Plan. In the event a Participant has made a valid lump sum election under the provisions of said clause (iii), his Grandfathered Pre-2005 Benefit attributable to the TPP formula shall be paid in accordance with the provisions of said clause (iii).

Section 2.05 Payment upon the Occurrence of an Acceleration Event

In the event an Acceleration Event occurs, regardless of whether or not such event satisfies the definition of a Change in Control event as defined in the foregoing provisions of this Plan, the provisions of this Section 2.05 shall apply to the Participant's Grandfathered Pre-2005 Benefit.

APPENDIX B

Provisions of the Plan as in effect on October 3, 2004

This Appendix B constitutes a part of this Plan and contains the Plan provisions as in effect on October 3, 2004.

ITT EXCESS PENSION PLAN IIA
Effective as of January 1, 1988
As Amended and Restated as of December 31, 2008

ITT EXCESS PENSION PLAN IIA

The ITT Excess Benefit Plan II (the "Plan") was effective as of January 1, 1988. The purpose of the Plan was to provide those employees participating in the Retirement Plan for Salaried Employees of ITT Corporation or any successor plan thereto (the "Retirement Plan") benefits which would have been payable under the Retirement Plan but for the limitations imposed on qualified plans by Section 415 of the Internal Revenue Code.

Effective as of January 1, 1988, the ITT Select Management Plan II was authorized by the Board of Directors of ITT Corporation to pay supplemental benefits to certain select management highly compensated employees who have qualified for benefits under the Retirement Plan. As of December 19, 1995, the ITT Select Management Plan II was merged into the ITT Excess Benefit Plan II and the surviving Plan was amended to accept the liabilities under ITT Industries Excess Pension Plan I attributable to all participants thereunder other than former or current Presidents, Chairmen, Chief Executive Officers, Chief Operating Officers or Executive Vice Presidents of ITT Industries, Inc. and was renamed the ITT Industries Excess Pension Plan II.

The Plan was amended, effective as of January 1, 2000, to reflect the changes in the Retirement Plan formula.

Effective as of July 13, 2004, the Plan was amended and restated to make certain administrative changes and to unify the definition of Acceleration Event with other employee benefit plans of ITT Corporation (formerly known as ITT Industries, Inc.) (the "Corporation").

As of January 1, 2008, the Plan was amended to solely provide to individuals who are designated Eligible Employees under the Plan on and after January 1, 2008 benefits which would have been payable on their behalf under the Retirement Plan but for the limitations on benefits imposed by Section 415 and 401(a)(17) of the Internal Revenue Code (the "Code"), to transfer all liabilities not attributable to such excess benefits into the ITT Excess Pension Plan IIB (which is authorized to be effective as of January 1, 2008) and to rename the Plan, as amended, the ITT Excess Pension Plan IIA.

With respect to a Participant who (i) terminated employment with the ITT Corporation (the "Corporation") and all its Associated Companies by December 31, 2008 or (ii) was employed by ITT Corporation or one of its Associated Companies on October 1, 2008 and signs and submits his signed acknowledgement of termination to the ITT HQ Compensation Department on or before December 31, 2008 formalizing his date of Termination of Employment in 2009, the portion of his benefit, if any, payable under the provisions of this Plan equal to his Grandfathered Pre-2005 Benefit (as defined herein) shall be subject to the provisions of the Plan as in effect on October 3, 2004 (attached hereto as Appendix C and made part hereof) without regard to any Plan amendments after October 3, 2004 which would constitute a material modification for Code Section 409A purposes, unless otherwise provided in Appendix A.

All benefits payable under this Plan, which is intended to constitute both an unfunded excess benefit plan under Section 3(36) of Title I of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), and a nonqualified, unfunded deferred compensation plan for a select group of management employees under Title I of ERISA, shall be paid out of the general assets of the Corporation. The Corporation may establish and fund a trust in order to aid it in providing benefits due under the Plan.

ITT EXCESS PENSION PLAN IIA
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ITT EXCESS PENSION PLAN IIA

ARTICLE I. DEFINITIONS

The following terms when capitalized herein shall have the meanings assigned below.

- 1.01 **Acceleration Event** shall mean "Acceleration Event" as that term is defined under the provisions of the Plan as in effect on October 3, 2004.
 - 1.02 **Annuity Starting Date** shall mean, unless the Plan expressly provides otherwise, the first day of the first period for which an amount is due as an annuity or any other form. However, if a Change in Control occurs, the Annuity Starting Date of a Participant with regard to his 409A Supplemental Benefit shall be the date such Change in Control occurs.
 - 1.03 **Associated Company** shall mean any division, subsidiary or affiliated company of the Corporation not participating in the Plan which is an Associated Company, as defined in the Retirement Plan.
 - 1.04 **Beneficiary** shall mean the person designated pursuant to the provisions of the Retirement Plan to receive benefits under said Retirement Plan after a Participant's death. In the absence of a beneficiary designation under the provisions of the Retirement Plan, the Participant's Beneficiary shall be his spouse (or Registered Domestic Partner), if any, otherwise his estate. Notwithstanding the foregoing, with respect to any survivor benefit payable pursuant to the provision of Section 2.04(c)(ii) based on the Participant's 409A Supplemental Benefit attributable to the Traditional Pension Plan ("TPP") formula (as defined in Section 4.01(b) of the Retirement Plan), in the absence of a beneficiary designation under the provisions of the Retirement Plan, the Participant's Beneficiary shall be his spouse (or Registered Domestic Partner), if any, otherwise the person or persons named as his beneficiary (or beneficiaries) under the ITT Salaried Investment and Savings Plan, if any, or if none, then the person or persons named as his beneficiary (or beneficiaries) under the Company's life insurance program. For purposes of the Plan,
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a Registered Domestic Partner shall have the same meaning as set forth in the Retirement Plan.

1.05 **Board of Directors** shall mean the Board of Directors of ITT Corporation or any successor thereto.

1.06 **Change in Control** shall mean an event which shall occur if there is: (i) a change in the ownership of the Corporation; (ii) a change in the effective control of the Corporation; or (iii) a change in the ownership of a substantial portion of the assets of the Corporation.

For purposes of this Section, a change in the ownership occurs on the date on which any one person, or more than one person acting as a group (as defined in Treasury Regs. 1.409A-3(i)(5)(v)(B)), acquires ownership of stock that, together with stock held by such person or group constitutes more than 50% of the total fair market value or total voting power of the stock of the Corporation.

A change in the effective control occurs on the date on which either (i) a person, or more than one person acting as a group (as defined in Treasury Regs. 1.409A-3(i)(5)(v)(B)), acquires ownership of stock possessing 30% or more of the total voting power of the stock of the Corporation, taking into account all such stock acquired during the 12-month period ending on the date of the most recent acquisition, or (ii) a majority of the members of the Board of Directors is replaced during any 12-month period by directors whose appointment or election is not endorsed by a majority of the members of such Board of Directors prior to the date of the appointment or election, but only if no other corporation is a majority shareholder.

A change in the ownership of a substantial portion of assets occurs on the date on which any one person, or more than one person acting as a group (as defined in Treasury Regs. 1.409A-3(i)(5)(v)(B)), other than a person or group of persons that is related to the Corporation, acquires assets that have a total gross fair market value equal to or more than 40% of the total gross fair market value of all of the assets of the Corporation

immediately prior to such acquisition or acquisitions, taking into account all such assets acquired during the 12-month period ending on the date of the most recent acquisition.

The determination as to the occurrence of a Change in Control shall be based on objective facts and in accordance with the requirements of Code Section 409A and the regulations promulgated thereunder.

1.07 **Code** shall mean the Internal Revenue Code of 1986, as amended from time to time.

1.08 **Committee** shall mean the Benefits Administration Committee under the Retirement Plan.

1.09 **Company** shall mean the Corporation with respect to its employees and any Participating Unit (as that term is defined in the Retirement Plan) authorized by the Corporation to participate in the Plan with respect to its employees.

1.10 **Company Pension Plan** shall mean any tax qualified defined benefit plan other than the Retirement Plan maintained by the Company or an Associated Company.

1.11 **Corporation** shall mean ITT Corporation, an Indiana corporation, (successor by merger to and formerly known as ITT Industries, Inc.), or any successor by merger, purchase or otherwise.

1.12 **Deferred Compensation Program** shall mean any nonqualified deferred compensation plan maintained by the Company or an Associated Company.

1.13 **Disability or Disabled** shall mean "Disability" as defined under Treasury Regs. Section 1.409A-3(i)(4)(i) and (ii) and any subsequent guidance thereto.

1.14 **Eligible Employee** shall mean a member of the Retirement Plan who is not eligible to participate in the ITT Excess Pension Plan IA or IB.

- 1.15 **ERISA** shall mean the Employee Retirement Income Security Act of 1974, as amended from time to time.
- 1.16 **Excess Benefit Portion** shall mean the portion of the Plan which is intended to constitute an unfunded excess benefit plan under Sections 3(36) and 4(b)(5) of Title I of ERISA which provides benefits not otherwise payable under the Retirement Plan due to restrictions imposed by Section 415 of the Code.
- 1.17 **Grandfathered Pre-2005 Benefit** shall mean, with respect to a Participant who (i) terminated employment on or prior to December 31, 2008 or (ii) was employed by the Company or an Associated Company on October 1, 2008 and signs and submits his acknowledgement of termination to ITT HQ Compensation Department on or before December 31, 2008 formalizing his date of Termination of Employment in 2009, the portion of such Participant's Supplemental Benefit, if any, that was accrued and vested before January 1, 2005, determined under the provisions of the Plan without regard to any amendments after October 3, 2004 which would cause a material modification for Code Section 409A purposes, the provisions of Section 409A, the regulations promulgated thereunder and other applicable guidance, adjusted for the passage of time based on actuarial equivalent assumptions and procedures established by the Committee in accordance with the provisions of Treasury Regs. 1.409A-6(a)(3)(iv).
- 1.18 **Participant** shall mean an Eligible Employee who is participating in the Plan pursuant to Section 2.01 hereof.
- 1.19 **Plan** shall mean the ITT Excess Pension Plan IIA, as set forth herein or as amended from time to time.
- 1.20 **Plan Year** shall mean the calendar year.
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- 1.21 **Retirement Plan** shall mean the ITT Salaried Retirement Plan (formerly known as the ITT Industries Salaried Retirement Plan), as amended from time to time.
- 1.22 **Select Management Portion** shall mean the portion of the Plan, other than the Excess Benefit Portion, which is intended to constitute an unfunded deferred compensation plan for a select group of management or highly compensated employees under Title I of ERISA.
- 1.23 **Specified Employee** shall mean a “specified employee” as such term is defined in the Income Tax Regulations under Section 409A as modified by the rules set forth below:
- (a) For purposes of determining whether a Participant is a Specified Employee, the compensation of the Participant shall be determined in accordance with the definition of compensation provided under Treas. Reg. Section 1.415(c) 2(d)(3) (wages within the meaning of Code section 3401(a) for purposes of income tax withholding at the source, plus amounts excludible from gross income under Section 125(a), 132(f)(4), 402(e)(3), 402(h)(1)(B), 402(k) or 57(b), without regard to rules that limit the remuneration included in wages based on the nature or location of the employment or the services performed).
 - (b) The “Specified Employee Identification Date” means December 31, unless the Compensation Committee of the Board has elected a different date through action that is legally binding with respect to all nonqualified deferred compensation plans maintained by the Company or any Associated Company.
 - (c) The “Specified Employee Effective Date” means the first day of the fourth month following the Specified Employee Identification Date or such earlier date as is selected by the Compensation Committee of the Board.
- 1.24 **Supplemental Benefit** shall mean the monthly benefit payable to a Participant as determined under Section 2.02.
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1.25 **409A Supplemental Benefit** shall mean the portion of a Participant's Supplemental Benefit, if any, in excess of his Grandfathered Pre-2005 Benefit.

1.26 **Termination of Employment** shall mean a "Separation from Service" as such term is defined in the Treasury Regs. under Section 409A of the Code, as modified by the rules described below:

- (a) An Employee who is absent from work due to military leave, sick leave, or other bona fide leave of absence pursuant to Company policies shall incur a Termination of Employment on the first date immediately following the later of (i) the six-month anniversary of the commencement of the leave (eighteen month anniversary for a disability leave of absence) or (ii) the expiration of the Employee's right, if any, to reemployment under statute or contract or pursuant to Company policies. For this purpose, a "disability leave of absence" is an absence due to any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than 6 months, where such impairment causes the employee to be unable to perform the duties of his job or a substantially similar job;
 - (b) For purposes of determining whether another organization is an Associated Company of the Corporation, common ownership of at least 50% shall be determinative;
 - (c) The Corporation specifically reserves the right to determine whether a sale or other disposition of substantial assets to an unrelated party constitutes a Termination of Employment with respect to the executive providing services to the seller immediately prior to the transaction and providing services to the buyer after the transaction. Such determination shall be made in accordance with the requirements of Code Section 409A.
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Whether Termination of Employment has occurred shall be determined by the Committee in accordance with Code Section 409A, the regulations promulgated thereunder, and other applicable guidance, as modified by rules described above. The terms or phrases "terminates employment," "termination of employment," "employment is terminated," or any other similar terminology shall have the same meaning as a "Termination of Employment."

ARTICLE II. PARTICIPATION; AMOUNT AND PAYMENT OF BENEFITS**2.01 Participation**

- (a) Each Eligible Employee who is a Participant in the Plan as of December 31, 2008 shall continue to be a Participant in the Plan, subject to the provisions of paragraph (d) below. An Eligible Employee whose retirement allowance or vested benefit under the Retirement Plan exceeds the limitations imposed by Code Section 415(b) or Code Section 4019a(17) shall become a Participant in the Plan.
- (b) Each Eligible Employee's annual retirement allowance or vested benefit which at the time of payment under the Retirement Plan exceeds the limitations imposed by Code Section 415(b) (or prior to January 1, 2000, Code Section 415(e)) shall be payable from the Excess Benefit Portion of the Plan.
- (c) Each Eligible Employee's annual retirement allowance or vested benefit at the time of payment under the Retirement Plan is limited by reason of the Code Section 401(a)(17) limitation on Compensation (as that term is defined in the Retirement Plan) shall be payable from the Select Management Portion of the Plan.
- (d) A Participant's participation in the Plan shall terminate upon the Participant's death or other Termination of Employment with the Company and all Associated Companies, unless a benefit is payable under the Plan with respect to the Participant or his Beneficiary under the provisions of this Article II.

2.02 Amount of Supplemental Benefits

- (a) A Participant's Supplemental Benefit under this Article II shall be equal to the excess, if any, of (i) over (ii) as determined below:
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- (i) the monthly retirement allowance or vested benefit determined as of such Participant's Termination of Employment which would have been payable to the Participant under Section 4.02, 4.03, 4.04, 4.05 or 4.06 of the Retirement Plan, whichever is applicable, assuming such benefit commences on the date set forth in Section 2.04(a)(i), (ii) or (iv), whichever is applicable, and
- (1) prior to the application of any offset required pursuant to Section 4.10 or to an applicable Appendix of the Retirement Plan with regard to benefits payable under any other Company Pension Plan;
 - (2) without regard to the provisions contained in Section 415 of the Code relating to the maximum limitation on benefits, as incorporated into the Retirement Plan; and
 - (3) without regard to the annual limitation on Compensation contained in Section 401(a)(17) of the Code, as incorporated into the Retirement Plan;
- over
- (ii) the monthly retirement allowance or vested benefit which would have been payable for the Participant's lifetime under Section 4.02, 4.03, 4.04, 4.05 or 4.06 of the Retirement Plan, whichever is applicable assuming such benefit commences on the date set forth in Section 2.04(a)(i), (ii) or (iv), whichever is applicable, and determined
- (1) prior to the application of any offset required pursuant to Section 4.10 or an applicable Appendix of the Retirement Plan with regard to benefits payable under any other Company Pension Plan;
 - (2) with regard to the provisions contained in Section 415 of the Code relating to maximum limitation benefits as incorporated into the Retirement Plan; and
 - (3) with regard to the annual limitation on Compensation contained in Section 401(a)(17) of the Code, as incorporated into the Retirement Plan.
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- (b) Except as otherwise provided below, if, after a Participant's Annuity Starting Date, changes to the Code or ERISA permit the Retirement Plan to provide for payment of a Participant's monthly retirement allowance or vested benefit in an amount greater than that permissible at that particular Annuity Starting Date, the Participant's monthly benefit under this Plan shall be reduced by the portion of his retirement allowance or vested benefit thereafter paid from the Retirement Plan. This provision shall not be applicable to any portion of a Participant's Supplemental Benefit received in the form of a lump sum payment.

2.03 Vesting

- (a) A Participant shall be vested in, and have a nonforfeitable right to, the benefit payable under this Article II to the same extent as the Participant is vested in his Accrued Benefit (as that term is defined in the Retirement Plan) under the provisions of the Retirement Plan.
- (b) Notwithstanding any provision of this Plan to the contrary, in the event of an Acceleration Event, all Participants and their Beneficiaries shall become fully vested in the benefits provided under this Plan.

2.04 Payment of Benefits

(a) Timing of Payment

- (i) Subject to the provisions of clause (iii) below, the portion of any Participant's 409A Supplemental Benefit payable under Section 2.02 attributable to the TPP formula (as defined in Section 4.01(b) of the Retirement Plan), to the extent vested pursuant to Section 2.03, shall commence as of the first day of the month following (1) the Participant's Termination of Employment or (2) if the Participant is not at least age 50 on such date of Termination of Employment and his age and service as of such date does not equal 80 or more, the Participant's attainment of age 55, if later.
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- (ii) Notwithstanding the foregoing provisions of clause (i) above and subject to the provisions of clause (iii) below, the portion of any Participant's 409A Supplemental Benefit payable under Section 2.02 attributable to the PEP formula (as defined in Section 4.01(c) of the Retirement Plan), to the extent vested pursuant to Section 2.03, shall commence as of the first day of the month following the Participant's Termination of Employment.
 - (iii) Notwithstanding the foregoing if a Participant is classified as a "Specified Employee" on his date of Termination of Employment, the actual payment of a 409A Supplemental Benefit payable under Section 2.02 on account of such Participant's Termination of Employment for reasons other than death or Disability shall not commence prior to the first day of the seventh month following the Participant's Termination of Employment. Any payment due the Participant which he would have otherwise received under Section 2.02 during the six month period immediately following such Participant's Termination of Employment shall be accumulated, with interest, at the IRS Interest Rate (as defined in the Retirement Plan) in accordance with procedures established by the Committee. For the avoidance of doubt, the provisions of this clause (iii) shall not apply to a 409A Supplemental Benefit payable under (1) Section 2.04(c) due to the death of the Participant or (2) Section 2.04(d) due to the Participant's Disability.
 - (iv) Notwithstanding the foregoing, in the event a Participant who incurred a Termination of Employment prior to January 1, 2009 has not commence payment of his 409A Supplemental Benefit as of January 1, 2009, such Participant's 409A Supplemental Benefit shall commence as of April 1, 2009 (January 1, 2009, with respect to a Participant listed on Appendix B) or, if later, the date specified in clause (i), (ii) or (iii) above, whichever is applicable.
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- (v) A Participant's Grandfathered Pre-2005 Benefit shall commence in accordance with the provisions of the Plan as in effect on October 3, 2004, modified as set forth in Appendix A and without regard to any Plan amendments after October 3, 2004 which would constitute a material modification for Code Section 409A purposes.

(b) Form of Benefit

- (i) Unless a Participant has a valid election under clause (ii) below in effect, the portion of the Participant's 409A Supplemental Benefit determined under Section 2.02 attributable to the TPP formula (as defined in Section 4.01(b) of the Retirement Plan) shall be paid in the form of a single life annuity for the life of the Participant, if the Participant is not married on his Annuity Starting Date, or in the form of a 50% joint & survivor annuity, if the Participant is married (or has a Registered Domestic Partner) on his Annuity Starting Date.
- (ii) Subject to the provisions of clause (iii) below, a Participant may elect to convert his 409A Supplemental Benefit payable under Section 2.02 attributable to the TPP formula (as defined in Section 4.01(b) of the Retirement Plan) into an optional annuity of equivalent actuarial value available to that Participant under the provisions of Section 4.07(b) of the Retirement Plan as of his Annuity Starting Date, provided said optional annuity satisfies the definition of "life annuity" as provided in Treasury Regs. 1.409A-(2)(b)(2)(ii) and any further guidance thereto. Such equivalent actuarial value shall be based on the applicable factors set forth in Appendix A of the Retirement Plan.
- (iii) Notwithstanding the foregoing and subject to the provisions of Section 409A of the Code, a Participant's election to receive his 409A Supplemental Benefit attributable to the TPP formula (as defined in Section 4.01(b) of the Retirement Plan) in an optional annuity form of payment as described in clause (ii) above shall be effective as of the Participant's Annuity Starting
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Date applicable to that portion of his 409A Supplemental Benefit, provided the Participant makes and submits to the Committee in the manner prescribed by the Committee, his election of such optional annuity form prior to such applicable Annuity Starting Date. A Participant who fails to elect an optional annuity form of benefit applicable to the TPP formula portion of his 409A Supplemental Benefit in a timely manner shall receive such benefit in accordance with the provisions of clause (i) above,

- (iv) Notwithstanding the foregoing provisions of this Section 2.04(b), the portion of a Participant's 409A Supplemental Benefit payable under Section 2.02 attributable to the PEP formula (as defined in Section 4.01(c) of the Retirement Plan) shall be payable in the form of a single lump sum payment. Such lump sum payment shall be calculated on the same basis as provided in Section 4.07(b)(v) of the Retirement Plan using the IRS Mortality Table and IRS Interest Rate (as defined in the Retirement Plan).
 - (v) The portion of the Participant's Grandfathered Pre-2005 Benefit payable under Section 2.02 attributable to the TPP formula (as defined in Section 4.01(b) of the Retirement Plan) shall commence and the form of payment of such benefit shall be determined in accordance with the provisions of the Plan as in effect on October 3, 2004, modified as set forth in Appendix A and without regard to any Plan amendments after that date which would constitute a material modification for Code Section 409A purposes. The portion of the Participant's Grandfathered Pre-2005 Benefit payable under Section 2.02 attributable to the PEP formula (as defined in Section 4.01(c) of the Retirement Plan) shall be payable in accordance with the provisions of the Plan as in effect on October 3, 2004, modified as set forth in Appendix A and without regard to any Plan amendments after October 3, 2004 which would constitute a material modification for Code Section 409A purposes.
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(c) Death Prior to a Participant's Annuity Starting Date

- (i) If a Participant entitled to a vested benefit under the Retirement Plan dies (1) before meeting the eligibility requirements for an Automatic Pre-Retirement Survivor's Benefit under Section 4.08(b) of the Retirement Plan and while in active service with the Company or any Associated Company or while Disabled but before his Annuity Starting Date, or (2) after Termination of Employment with entitlement to a vested benefit hereunder but prior to his Annuity Starting Date, the Participant's spouse (or Registered Domestic Partner) shall receive a monthly payment for life equal to the monthly income which would have been payable to such spouse (or Registered Domestic Partner) under Section 4.08(a) of the Retirement Plan based on the hypothetical benefit attributable to his Supplemental Benefit as calculated under Section 2.02 hereof assuming payments commence as of the first day of the month following the Participant's date of death, or attainment of age 55, if later. The portion of such benefit attributable to the Participant's 409A Supplemental Benefit shall commence as of the first day of the month following the later of the Participant's date of death, or the Participant's attainment of age 55 (or in the event clause (iii) is applicable, the date specified in clause (iii).) Notwithstanding the foregoing, the portion of any benefit payable under this clause (i) attributable to the PEP formula portion (as defined in Section 4.01(c) of the Retirement Plan) of the benefit which would have been payable to the spouse (or Registered Domestic Partner) based on the hypothetical 409A Supplemental Benefit as calculated under Section 2.02 shall be determined assuming that portion of the benefit commences as of the first day of the month following the Participant's date of death (or the date specified in clause (iii), if later) and such benefit shall be payable in the form of a single lump sum payment as of the first day of the month following the Participant's date of death. This lump sum payment shall be calculated on the same basis as provided in Section 4.08(a)(iii) of the Retirement Plan using the IRS Mortality Table and IRS Interest Rate (as defined in the Retirement Plan). Notwithstanding any Plan provision to the
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contrary, the portion of any survivor benefit payable under this clause (i) attributable to the Participant's Grandfathered Pre-2005 Benefit shall be payable in accordance with the provisions of the Plan as in effect on October 3, 2004, modified as set forth in Appendix A, and without regard to any Plan amendments after October 3, 2004 which would constitute a material modification for Code Section 409A purposes.

- (ii) Except as otherwise provided below, in the event a Participant who has satisfied the eligibility requirements for the Automatic Pre-Retirement Survivor's Benefit under Section 4.08(b) of the Retirement Plan, dies (1) while in active service with the Company or any Associated Company or (2) after his Termination of Employment or the date he becomes Disabled, if earlier, but prior to his Annuity Starting Date, the Participant's Beneficiary, if any, shall receive a monthly payment for the life of the Beneficiary equal to the monthly income which would have been payable to such Beneficiary under Section 4.08(b) of the Retirement Plan based on the hypothetical retirement benefit attributable to his Supplemental Benefit as calculated under Section 2.02 hereof assuming payments commence on the first day of the month following the Participant's death (or the date specified in clause (iii), if later). Notwithstanding the foregoing, the portion of any benefit payable under this clause (ii) attributable to the PEP formula portion (as defined in Section 4.01(c) of the Retirement Plan) of the benefit which would have been payable to the Beneficiary based on the hypothetical 409A Supplemental Benefit as calculated under Section 2.02 hereof shall be payable in the form of a single lump sum payment. This lump sum payment shall be calculated on the same basis as provided in Section 4.08(b)(iii) of the Retirement Plan using the IRS Mortality Table and IRS Interest Rate (as defined in the Retirement Plan). The portion of any benefit payable under this clause (ii) attributable to a Participant's 409A Supplemental Benefit as calculated under Section 2.02 hereof shall commence on the first day of the month following the Participant's death.
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The portion of such survivor benefit payable under this clause (ii) of paragraph (c) attributable to the Participant's Grandfathered Pre-2005 Benefit shall be paid in accordance with the provisions of the Plan as in effect on October 3, 2004, modified as set forth in Appendix A, and without regard to any Plan amendments after October 3, 2004 which would constitute a material modification for Code Section 409A purposes.

- (iii) Notwithstanding the foregoing, in the event the survivor benefit payable under this Section 2.04(c) to the spouse or Beneficiary of a Participant who died prior to January 1, 2009 has not commenced as of January 1, 2009, such survivor benefit shall commence as of April 1, 2009 or, if later, the date specified in clauses (i) or (ii) above, whichever is applicable.
- (d) **Disability prior to Termination of Employment**
- (i) Notwithstanding any Plan provision to the contrary, in the event a Participant becomes Disabled prior to his Termination of Employment, the Participant shall be entitled to a Disability Supplemental Benefit equal to the amount determined under the provisions of Section 2.02(a) based on his years of Benefit Service, as such term is defined in the Retirement Plan, accrued to the date he became Disabled plus the years of Benefit Service, as such term is defined in the Retirement Plan, such Participant accrues under the terms of the Retirement Plan after the date he becomes Disabled and prior to his attainment of age 65.
 - (ii) The portion of the Disability Supplemental Benefit determined under the provisions of clause (i) in excess of the Participant's Grandfathered Pre-2005 Benefit shall be paid in accordance with the provisions of paragraph (b) above and payments shall commence on the first day of the month following the month in which the Participant attains age 65.
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- (iii) Notwithstanding the foregoing, the portion of the Disability Supplemental Benefit attributable to the Participant's Grandfathered Pre-2005 Benefit shall be paid in accordance with the provisions of the Plan as in effect on October 3, 2004, modified as set forth in Appendix A, and without regard to any Plan amendments after October 3, 2004 which would constitute a material modification for Code Section 409A purposes.

2.05 Payment Upon the Occurrence of a Change in Control

Upon the occurrence of a Change in Control, (i) all retired Participants then receiving or then entitled to receive a 409A Supplemental Benefit under the Plan, (ii) all former Participants then receiving or then entitled to receive a 409A Supplemental Benefit hereunder, and (iii) all Participants who are then still in active service shall automatically receive, in a single lump sum payment, the 409A Supplemental Benefit remaining due as of the Change in Control to any such retired or former Participant or the benefit, if any, accrued by such active Participant up to the Change in Control event and as determined under Section 2.02 hereof. The amount of such lump sum payment attributable to the PEP formula portion (as defined in Section 4.01(c) of the Retirement Plan) of the Participant's 409A Supplemental Benefit payable under this Plan not in payment status as of the occurrence of a Change in Control event shall be calculated on the same basis as provided in Section 4.07(b)(v) of the Retirement Plan using the IRS Mortality Table and IRS Interest Rate (as defined in the Retirement Plan) determined as if the date the Change in Control event occurs is the Participant's Annuity Starting Date. The amount of the lump sum payment attributable to the TPP formula portion of the Participant's 409A Supplemental Benefit payable under this Plan shall be calculated on an actuarial equivalent basis using (i) the interest rate assumption used by the PBGC for valuing benefits for single employer plans as published by the PBGC for the month in which such Change in Control event occurs and (ii) the mortality table utilized as of the day immediately preceding the date the Change in Control event occurs under the provisions of the Retirement Plan to calculate the amount of a small lump sum cashout. The interest rate for immediate annuities will be used, if the Participant has met the eligibility requirements to retire under the Retirement Plan with an early, normal or postponed

retirement allowance as of the Change in Control or is then in receipt of monthly payments under this Plan, otherwise the Plan shall use the interest rate assumption for deferred annuities to the earliest date the Participant could have commenced payment of such benefit or, if it results in a larger lump sum, his Normal Retirement Date (as defined under the Retirement Plan). If the Participant is not in receipt of his monthly 409A Supplemental Benefit payments under this Plan as of the Change in Control, the calculation of a lump sum payment hereunder of the portion of the Participant's accrued benefit payable under this Plan attributable to the TPP formula portion (as defined under Section 4.01(b) of the Retirement Plan) shall be based on the Participant's 409A Supplemental Benefit payable under Section 2.02 attributable to such TPP formula as if it were paid in the form of a single life annuity to the Participant commencing on the Participant's Annuity Starting Date; provided, however, if the Participant has not met the eligibility requirements to retire under the Retirement Plan with an early, normal or postponed retirement allowance, the calculation of such lump sum payment shall be based on the Participant's accrued 409A Supplemental Benefit payable under Section 2.02 attributable to such TPP formula as if it were paid in the form of a single life annuity to the Participant commencing on the earliest date he could have commenced payment of such benefit. In no event, however, shall the lump sum payment determined under the preceding sentence be less than the lump sum payment based on the Participant's accrued 409 Supplemental Benefit payable under Section 2.02 attributable to such TPP formula as if it were paid in the form of a single life annuity to the Participant commencing on his Normal Retirement Date. The calculation of a lump sum payment hereunder shall be made on the basis of the Participant's age (and Beneficiary's age, if applicable) at the Change in Control and without regard to the possibility of any future changes after the Change in Control in the amount of benefits payable hereunder because of future changes in the limitations referred to in Section 2.02. The lump sum payment shall be made as within 90 days following the date the Change in Control event occurs. In the event the Participant dies after such Change in Control event occurs but before receiving such payment, the lump sum payment shall be made to his Beneficiary. This lump sum payment represents a complete settlement of all benefits on the Participant's behalf under the Plan.

For avoidance of doubt, upon the occurrence of an Acceleration Event, (either prior, after or simultaneously with the occurrence of a Change of Control) the provisions of Section 2.05 of the Plan as in effect on October 3, 2004 without regard to any Plan amendments after October 3, 2004 which would constitute a material modification for Code Section 409A purposes shall be applicable to a Participant's Grandfathered Pre-2005 Benefit.

2.06 Reemployment of Former Participant or Retired Participant

If a Participant who retired or otherwise terminated employment with the Company and all Associated Companies is reemployed as an employee by the Company or an Associated Company, such reemployment shall have no impact on the payment or timing of payment of any 409A Supplement Benefits earned prior to reemployment.

ARTICLE III. GENERAL PROVISIONS

3.01 Funding

- (a) All amounts payable in accordance with this Plan shall constitute a general unsecured obligation of the Corporation. Such amounts, as well as any administrative costs relating to the Plan, shall be paid out of the general assets of the Corporation, to the extent not paid from the assets of any trust established pursuant to paragraph (b) below.
 - (b) The Corporation may, for administrative reasons, establish a grantor trust for the benefit of Participants in the Plan. The assets placed in said trust shall be held separate and apart from other Corporation funds and shall be used exclusively for the purposes set forth in the Plan and the applicable trust agreement, subject to the following conditions:
 - (i) the creation of said trust shall not cause the Plan to be other than “unfunded” for purposes of Title I of ERISA;
 - (ii) the Corporation shall be treated as “grantor” of said trust for purposes of Section 677 of the Code; and
 - (iii) the agreement of said trust shall provide that its assets may be used upon the insolvency or bankruptcy of the Corporation to satisfy claims of the Company’s general creditors and that the rights of such general creditors are enforceable by them under federal and state law.
 - (c) To the extent that any person acquires a right to receive payments under the Plan, such right shall be no greater than the right of any unsecured creditor of the Corporation.
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3.02 Duration of Benefits

Benefits shall accrue under the Plan on behalf of a Participant only for so long as the provisions of Section 415 or 401(a)(17) of the Code limit the benefits that are payable under the Retirement Plan.

3.03 Discontinuance and Amendment

The Board of Directors reserves the right to modify, amend, or discontinue in whole or in part, benefit accruals under the Plan at any time. However, no modification, amendment, or discontinuance shall adversely affect the right of any Participant to receive the benefits accrued as of the date of such modification, amendment or discontinuance and after the occurrence of an Acceleration Event, no modification or amendment shall be made to Sections 2.03 or 2.05. Notwithstanding the foregoing, following any amendment and except as provided in Article II with respect to lump sum payments hereunder, benefits may be adjusted as required to take into account the amount of benefits payable under the Retirement Plan after the application of the limitations referred to in Section 2.02.

3.04 Termination of Plan

The Board of Directors reserves the right to terminate the Plan at any time, provided, however, that no termination shall be effective retroactively. As of the effective date of termination of the Plan,

- (a) the benefits of any Participant or Beneficiary whose benefit payments have commenced shall continue to be paid, but only to the extent such benefits are not otherwise payable under the Retirement Plan because of the limitations referred to in Section 2.02, and
 - (b) no further benefits shall accrue on behalf of any Participant whose benefits have not commenced, and such Participant and his Beneficiary shall retain the right to benefits hereunder; provided that, on or after the effective date of termination,
-

- (i) the Participant is vested under the Retirement Plan; and
- (ii) such benefits are not at any time otherwise payable under the Retirement Plan because of the limitations imposed by IRC Section 415 or Section 401(a)(17).

All other provisions of this Plan shall remain in effect.

3.05 Plan Not a Contract of Employment

This Plan is not a contract of employment, and the terms of employment of any Participant shall not be affected in any way by this Plan or related instruments, except as specifically provided therein. The establishment of this Plan shall not be construed as conferring any legal rights upon any person for a continuation of employment, nor shall it interfere with the rights of the Corporation to discharge any person and to treat him without regard to the effect which such treatment might have upon him under this Plan. Each Participant and all persons who may have or claim any right by reason of his participation shall be bound by the terms of this Plan and all agreements entered into pursuant thereto.

3.06 Facility of Payment

In the event that the Committee shall find that a Participant is unable to care for his affairs because of illness or accident or is a minor or has died, the Committee may, unless claim shall have been made therefore by a duly appointed legal representative, direct that any benefit payment due him, to the extent not payable from a grantor trust, be paid on his behalf to his spouse, a child, a parent or other blood relative, or to a person with whom he resides, and any such payment so made shall be a complete discharge of the liabilities of the Corporation and the Plan therefore.

3.07 Withholding Taxes

The Company and an Associated Company shall have the right to deduct from each payment to be made under the Plan any required withholding taxes.

3.08 Nonalienation

Subject to any applicable law, no benefit under the Plan shall be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance or charge, and any attempt to do so shall be void, nor shall any such benefit be in any manner liable for or subject to garnishment, attachment, execution or levy, or liable for or subject to the debts, contracts, liabilities, engagements or torts of the person entitled to such benefits.

3.09 Forfeiture for Cause

In the event that a Participant shall at any time be convicted of a crime involving dishonesty or fraud on the part of such Participant in his relationship with the Company or an Associated Company, all benefits that would otherwise be payable to him or to a Beneficiary under the Plan shall be forfeited.

3.10 Transfers

- (a) Notwithstanding any Plan provision to the contrary, in the event the Corporation (i) sells, causes the sale of, or sold the stock or assets of any employing company in the controlled group of the Corporation to a third party or (ii) distributes or distributed to the holders of shares of the Corporation's common stock all of the outstanding shares of common stock of a subsidiary or subsidiaries of the Corporation, and, as a result of such sale or distribution, such company (or subsidiary) or its employees are no longer eligible to participate hereunder, the liabilities with respect to the benefits accrued under this Plan for a Participant who, as a result of such sale or distribution, is no longer eligible to participate in this Plan, shall, at the discretion and direction of the Corporation (and approval by the new employer), be transferred to a similar plan of such new employer and become a liability thereunder. Upon such transfer (and acceptance thereof by such new employer) the liabilities for such transferred benefits shall become the obligation of the new employer and the liability under this Plan for such benefits shall then cease.
-

- (b) Notwithstanding any Plan provision to the contrary, at the discretion and direction of the Corporation, liabilities with respect to benefits accrued by a Participant under a plan maintained by such Participant's former employer may be transferred to this Plan and upon such transfer shall become the obligation of the Corporation.

3.11 Acceleration of or Delay in Payments

The Committee, in its sole and absolute discretion, may elect to accelerate the time or form of payment of a benefit owed to the Participant hereunder, provided such acceleration is permitted under Treasury Regs. Section 1.409A-3(j)(4). The Committee may also, in its sole and absolute discretion, delay the time for payment of a benefit owed to the Participant hereunder, to the extent permitted under Treasury Regs. Section 1.409A-2(b)(7).

3.12 Indemnification.

The Company, the members of the Committee, and the officers, employees and agents of the Company shall, unless prohibited by any applicable law, be indemnified against any and all liabilities arising by reason of any act or failure to act in relation to the Plan including, without limitation, expenses reasonably incurred in the defense of any claim relating to the Plan, amounts paid in any compromise or settlement relating to the Plan and any civil penalty or excise tax imposed by any applicable statute, if

- (a) the act or failure to act shall have occurred
- (i) in the course of the person's service as an officer, employee or agent of the Company or as a member of the Committee, or as the plan administrator; or
 - (ii) in connection with a service provided with or without charge to the Plan or to the Participants or Beneficiaries of the Plan, if such service was requested by the Committee or the plan administrator; and
- (b) the act or failure to act is in good faith and in, or not opposed to, the best interests of the Corporation.
-

This determination shall be made by the Corporation and, if such determination is made in good faith and not arbitrarily or capriciously, shall be conclusive.

The foregoing indemnification shall be from the assets of the Corporation. However, the Corporation's obligation hereunder shall be offset to the extent of any otherwise applicable insurance coverage under a policy maintained by the Corporation or any other person, or other source of indemnification.

3.13 Claims Procedure

(a) Submission of Claims

Claims for benefits under the Plan shall be submitted in writing to the Committee or to an individual designated by the Committee for this purpose.

(b) Denial of Claim

If any claim for benefits is wholly or partially denied, the claimant shall be given written notice within 90 days following the date on which the claim is filed, which notice shall set forth

- (i) the specific reason or reasons for the denial;
- (ii) specific reference to pertinent Plan provisions on which the denial is based;
- (iii) a description of any additional material or information necessary for the claimant to perfect the claim and an explanation of why such material or information is necessary; and
- (iv) an explanation of the Plan's claim review procedure, including information as to the steps to be taken if the claimant wishes to submit the claim for review and the time limits for requesting a review.

If special circumstances require an extension of time for processing the claim, written notice of an extension shall be furnished to the claimant prior to the end of the initial period of 90 days following the date on which the claim is filed. Such an extension may not exceed a period of 90 days beyond the end of said initial period.

If the claim has not been granted and written notice of the denial of the claim is not furnished within 90 days following the date on which the claim is filed, the claim shall be deemed denied for the purpose of proceeding to the claim review procedure.

(c) Claim Review Procedure

The claimant or his authorized representative shall have 60 days after receipt of written notification of denial of a claim to request a review of the denial by making written request to the Committee, and may review pertinent documents and submit issues and comments in writing within such 60-day period.

Not later than 60 days after receipt of the request for review, the persons designated by the Company to hear such appeals (the "Appeals Committee") shall render and furnish to the claimant a written decision, which shall include specific reasons for the decision and shall make specific references to pertinent Plan provisions on which it is based. If special circumstances require an extension of time for processing, the decision shall be rendered as soon as possible, but not later than 120 days after receipt of the request for review, provided that written notice and explanation of the delay are given to the claimant prior to commencement of the extension. Such decision by an Appeals Committee shall not be subject to further review. If a decision on review is not furnished to a claimant within the specified time period, the claim shall be deemed to have been denied on review.

(d) Exhaustion of Remedy

No claimant shall institute any action or proceeding in any state or federal court of law or equity or before any administrative tribunal or arbitrator for a claim for benefits under the Plan until the claimant has first exhausted the procedures set forth in this section.

3.14 Construction

- (a) The Plan is intended to constitute both an excess benefit arrangement and an unfunded deferred compensation arrangement maintained for a select group of
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management or highly compensated employees within the meaning of Sections 201(2), 301(a)(3), and 401(a)(1) of ERISA, and all rights under this Plan shall be governed by ERISA. Subject to the preceding sentence, the Plan shall be construed, regulated and administered under the laws of the State of New York, to the extent such laws are not superseded by applicable federal law.

- (b) The masculine pronoun shall mean the feminine wherever appropriate.
 - (c) The illegality of any particular provision of this document shall not affect the other provisions and the document shall be construed in all respects as if such invalid provision were omitted.
 - (d) The headings and subheadings in the Plan have been inserted for convenience of reference only, and are to be ignored in any construction of the provisions thereof.
 - (e) The Plan shall be construed, regulated and administered in accordance with the laws of the State of New York, subject to the provisions of applicable federal laws
-

ARTICLE IV. PLAN ADMINISTRATION**4.01 Responsibility for Benefit Determination**

The benefit of a Participant or Beneficiary under this Plan shall be determined either by the Committee, as provided in Section 4.02 below, or such other party as is authorized under the terms of any grantor trust.

4.02 Duties of Committee

The Committee shall calculate, in accordance with Article II, the benefit of each Participant or Beneficiary under the Plan. To the extent a Participant's, spouse's or Beneficiary's benefit are payable from the Plan, the Committee shall have full discretionary authority to resolve any question which shall arise under the Plan as to any person's eligibility for benefits, the calculation of benefits, the form, commencement date, frequency, duration of payment, or the identity of the Beneficiary. Such question shall be resolved by the Committee under rules uniformly applicable to all person(s) or employee(s) similarly situated. It is the intent of the Corporation that the provisions of Plan comply with the provisions of Section 409A of the Code, any regulations and other guidance promulgated with respect thereto and the provisions of the Plan shall be interpreted to be consistent therewith.

4.03 Procedure for Payment of Benefits Under the Plan

With respect to any benefit to which a Participant or Beneficiary is entitled under this Plan, the Committee (i) shall direct the commencement of benefit payments hereunder in accordance with the applicable procedures established by the Corporation, the Company and/or the Committee regarding the disbursement of amounts from the general funds of the Corporation and (ii) shall arrange, in conjunction with any other applicable excess benefit plan, for the payment of benefits under this Plan and/or any other applicable excess benefit plan.

4.04 Compliance

With respect to benefits hereunder subject to Code Section 409A, the Plan is intended to comply with the requirements of Code Section 409A and the provisions hereof shall be interpreted in a manner that satisfies the requirements of Code Section 409A and the regulations thereunder, and the Plan shall be operated accordingly. If any provision of the Plan would otherwise frustrate or conflict with this intent, the provision will be interpreted and deemed amended so as to avoid this conflict. The Plan has been administered in good faith compliance with Section 409A and the guidance issued thereunder from January 1, 2005 through December 31, 2008.

APPENDIX A**Provisions Applicable to a Participant's Grandfathered Pre-2005 Supplemental Benefit**

This Appendix A constitutes an integral part of the Plan and is applicable with respect to the Grandfathered Pre-2005 Benefit of those individuals who were Participants in the Plan on December 31, 2004. The portion of a Participant's Benefit, if any, determined under the provisions of Section 2.02 and Section 2.04(d) of the foregoing provisions of the Plan equal to his Grandfathered Pre-2005 Benefit is subject to the provisions of the Plan as in effect on October 3, 2004, modified as set forth in this Appendix A and without regard to any Plan amendments after October 3, 2004 which would constitute a material modification for Code Section 409A purposes. Section references in this Appendix A correspond to appropriate Sections of the said Plan as in effect on October 3, 2004 as set forth in Appendix C.

Article II — Participation Amount and Payment of Benefits

For purposes of Article II, the terms/phrases "termination of employment," "terminates employment," "retirement", "employment is terminated" or other similar language shall mean, with respect to a Participant, the complete cessation of providing services to the Company and all Associated Companies as an employee.

Section 2.04 Payment of Benefits**(a) Retirement or Termination of Employment Effective on and After December 31, 1995**

- (i) Following a Participant's retirement or termination of employment with the Company and all Associated Companies other than by reason of death, a Participant shall receive his Grandfathered Pre-2005 Benefit in the same form and at the same time as the Participant receives his corresponding retirement allowance or vested benefit under the Retirement Plan, except as otherwise provided below.
-

If a Participant becomes Disabled (as defined in Article I of the foregoing provisions of the Plan) prior to his Termination of Employment, the portion of his Disability Supplemental Benefit equal to his Grandfathered Pre-2005 Benefit shall be paid at the same time and in the same form as the Retirement Plan benefit is paid.

- (ii) Notwithstanding the foregoing provisions of clause (i) above, the portion of his Grandfathered Pre-2005 Benefit attributable to the PEP formula (as defined in Section 4.01(c) of the Retirement Plan shall be payable in the form of a lump sum payment and effective as of January 1, 2008 the Participant's right to convert such PEP formula portion of his Grandfathered Pre-2005 Benefit into a form of life annuity is eliminated.
- (b) **Death Prior to a Participant's Annuity Starting Date**
- (i) The portion of the death benefit determined under Section 2.04(b)(i) of the foregoing provisions of this Plan attributable to a Participant's Grandfathered Pre-2005 Benefit payable to a Participant's spouse (or Registered Domestic Partner) shall be paid in the same form and at the same time said spouse (or Registered Domestic Partner) receives payment under the Automatic Vested Spouse Benefit of the Retirement Plan. Notwithstanding the foregoing, effective on and after January 1, 2008, the portion of any benefit payable under this clause (i) attributable to the PEP formula (as defined in Section 4.01(c) of the Retirement Plan) based on his Grandfathered Pre-2005 Benefit shall be payable in a single lump sum payment and effective as of January 1, 2008, the spouse's (or Registered Domestic Partner's) right to convert such PEP formula portion of his Grandfathered Pre-2005 Benefit into a form of life annuity is eliminated.
 - (ii) The portion of the death benefit determined under Section 2.04(b)(ii) of the foregoing provisions of the Plan attributable to a Participant's Grandfathered Pre-2005 Benefit shall be payable to the Participant's Beneficiary at the
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same time said Beneficiary would have received a Pre-Retirement Survivor's Benefit under Section 4.08(b) of the Retirement Plan, provided, however, the portion of such survivor benefit attributable to the PEP formula (as defined under Section 4.01(c) of the Retirement Plan) shall be paid in a single lump sum payment and effective as of January 1, 2008, the Beneficiary's right to convert such PEP formula portion of his Grandfathered Pre-2005 Benefit into a form of life annuity is eliminated.

Section 2.05 Payment Upon the Occurrence of an Acceleration Event

In the event an Acceleration Event occurs, regardless of whether or not such event satisfies the definition of a Change in Control event as defined in the foregoing provisions of this Plan, the provisions of this Section 2.05 shall apply to the Participant's Grandfathered Pre-2005 Benefit.

APPENDIX B

Name

James Crumley, Jr.

James Faughnan

John Krochmal

Ralph Meoni

Louis Dollive

Sean Osborne

Calvin Gorrel

Randolph Lopez

Melvin Hershey

Frank Koester

APPENDIX C

Provisions of the Plan as in effect on October 3, 2004

This Appendix C constitutes a part of this Plan and contains the Plan provisions as in effect on October 3, 2004.

ITT EXCESS SAVINGS PLAN
As Amended and Restated as of December 31, 2008

INTRODUCTION

The ITT Excess Savings Plan (the "Plan") was effective as of January 1, 1987. The purpose of the Plan was to provide a means of restoring the contributions lost under the ITT Investment and Savings Plan for Salaried Employees due to the application of the limitations imposed on qualified plans by Section 415 of the Internal Revenue Code.

As of January 1, 1989, the Plan was amended to provide (i) a means for restoring, for an employee participating in the ITT Investment and Savings Plan for Salaried Employees (the "Savings Plan"), the matching and other employer contributions lost under said Plan due to the application of the limitations imposed on qualified plans by Section 401(a)(17) and Section 402(g)(1) of the Internal Revenue Code (the "Code") and (ii) a means of providing such employees with an opportunity to defer a portion of their salary in accordance with the terms of said Plan as hereinafter set forth.

As of January 1, 1995, the Plan was further amended to provide a means of restoring, for an employee participating in the ITT Investment and Savings Plan for Salaried Employees, matching and other employer contributions lost due to the deferral of base compensation under another nonqualified deferred compensation program. As of December 19, 1995, the Plan was renamed and continued as the ITT Industries Excess Savings Plan.

As of January 1, 1996, the Plan was further amended to solely provide to individuals who are designated as Eligible Employees under the Plan on and after January 1, 1996, a means to restore the contributions lost under the Savings Plan due to the application of the limitations imposed by Sections 415 and 401(a)(17) of the Code and providing such employees with an opportunity to defer a portion of their base salary and to transfer any liabilities not attributable to such benefits to the ITT Industries Deferred Compensation Plan. The Plan was further amended, effective as of (i) January 1, 1997, to provide additional optional forms of distributions and to revise the participation requirements, (ii) July 1, 1997, to revise the eligibility requirements to permit an Eligible Employee to participate in his first year of employment, and (iii) September 1, 1997, to further expand the distribution options available under the Plan.

In July, 2004, the Plan was amended and restated to make certain changes regarding the effect of an Acceleration Event and to unify the definition of Acceleration Event with other employee benefit plans of ITT Industries, and to make certain other technical amendments.

Effective as of July 1, 2006, the Plan name was revised to the ITT Excess Savings Plan. Effective as of January 1, 2008, the Plan was amended to make certain administrative changes.

Effective as of December 31, 2008, the Plan was amended and restated to comply with the provisions of Section 409A of the Code and the regulations promulgated thereunder.

All benefits payable under this Plan, which is intended to constitute both an unfunded excess benefit plan under Section 3(36) of Title I of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), and a nonqualified, unfunded deferred compensation plan for a select group of management employees under Title I of ERISA, shall be paid out of the general assets of the Corporation. The Corporation may establish and fund a trust in order to aid it in providing benefits due under the Plan.

ITT
EXCESS SAVINGS PLAN
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ITT EXCESS SAVINGS PLAN

ARTICLE I — DEFINITIONS

- 1.01 “**Acceleration Event**” shall mean “Acceleration Event” as that term is defined under the provisions of the Plan as in effect on October 3, 2004.
- 1.02 “**Accounts**” shall mean the Deferral Account, the Floor Contribution Account and the Matching Contribution Account.
- 1.03 “**Associated Company**” shall mean any division, unit, subsidiary, or affiliate of the Corporation not participating in the Savings Plan.
- 1.04 “**Beneficiary**” shall mean the person or persons designated pursuant to the provisions of the Savings Plan to receive benefits under said Savings Plan after a Member’s death.
- 1.05 “**Change of Control**” shall mean “Change of Control” as such term is defined in ITT Excess Pension Plan IIA, as amended from time to time.
- 1.06 “**Code**” shall mean the Internal Revenue Code of 1986, as amended from time to time.
- 1.07 “**Committee**” shall mean the Plan Committee under the Savings Plan.
- 1.08 “**Company**” shall mean the Corporation with respect to its employees or any Participating Corporation or Participating Division (as such terms are defined in the Savings Plan) authorized to participate in the Plan by the Corporation, with respect to each of its employees.
- 1.09 “**Corporation**” shall mean ITT Corporation, an Indiana corporation, (formerly known as ITT Industries, Inc.) or any successor by merger, purchase or otherwise.
- 1.10 “**Deferral Account**” shall mean the bookkeeping account (or subaccount(s)) maintained for each Member to record the amounts credited on his behalf under Section 3.01(a) and earnings on those amounts pursuant to Section 3.02.
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- 1.11 “**Effective Date**” shall mean January 1, 1987.
- 1.12 “**Eligible Employee**” shall mean an Employee of the Company who is eligible to participate in the Plan as provided in Section 2.01.
- 1.13 “**Employee**” shall have the meaning set forth in the Savings Plan.
- 1.14 “**ERISA**” shall mean the Employee Retirement Income Security Act of 1974, as amended from time to time.
- 1.15 “**Excess Matching Contributions**” shall mean the amount of contributions credited on a Member’s behalf under Section 3.01(b).
- 1.16 “**Excess Floor Contributions**” shall mean the amount of contributions credited on a Member’s behalf under Section 3.01(c).
- 1.17 “**Floor Contribution Account**” shall mean the bookkeeping account (or subaccount(s)) maintained for each Member to record all amounts credited on his behalf under Section 3.01(c) and earnings on those amounts pursuant to Section 3.02.
- 1.18 “**Matching Company Contribution**” shall have the meaning set forth in the Savings Plan.
- 1.19 “**Matching Contribution Account**” shall mean the bookkeeping account (or subaccount(s)) maintained for each Member to record all amounts credited on his behalf under Section 3.01(b) and earnings on those amounts pursuant to Section 3.02.
- 1.20 “**Member**” shall mean each Eligible Employee who participates in the Plan pursuant to Article II.
- 1.21 “**Plan**” shall mean this ITT Excess Savings Plan (formerly known as the ITT Industries Excess Savings Plan).
- 1.22 “**Plan Year**” shall mean the calendar year.
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- 1.23 **“Reporting Date”** shall mean each business day on which the New York Stock Exchange is open for business, or such other day as the Committee may determine.
- 1.24 **“Retirement”** shall mean the Termination of Employment by a Member after the date the Member is eligible for an early, normal or postponed retirement allowance under the ITT Salaried Retirement Plan (formerly known as the ITT Industries Salaried Retirement Plan), or would have been eligible had he been a participant in such Plan.
- 1.25 **“Salary”** shall mean an Eligible Employee’s “Salary” as such term is defined in the Savings Plan disregarding any reduction required due to the application of the Statutory Compensation Limitation. Salary shall be determined before any reduction pursuant to an Eligible Employee’s election to make Salary Deferrals under this Plan, but after reduction for deferrals under any other nonqualified deferred compensation program maintained by the Company.
- 1.26 **“Salary Deferrals”** shall mean the amount of Salary a Member has elected to defer for a Plan Year pursuant to a Salary Reduction Agreement in accordance with the provisions of Section 3.01(a).
- 1.27 **“Salary Reduction Agreement”** shall mean the completed agreement including any amendments, attachments and appendices thereto, in such form as approved by the Committee, entered into by the Member pursuant to Section 2.02 under which he elects (i) to defer a portion of his Salary under this Plan in accordance with the provisions of Section 3.01(a).
- 1.28 **“Savings”** shall have the meaning set forth in the Savings Plan.
- 1.29 **“Savings Plan”** shall mean the ITT Salaried Investment and Savings Plan (formerly known as the ITT Industries Investment and Savings Plan for Salaried Employees), as amended from time to time.
- 1.30 **“Statutory Compensation Limitation”** shall mean the limitations set forth in Section 401(a)(17) of the Code as in effect each calendar year for the Savings Plan.
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1.31 **“Termination of Employment”** shall mean “Termination of Employment” as such term is defined in the ITT Excess Pension Plan IIA, as amended from time to time.

ARTICLE II — PARTICIPATION

2.01 Eligibility

- (a) (i) An Employee shall be an Eligible Employee for any particular Plan Year if (A) the Employee is eligible to participate in the Savings Plan during that particular Plan Year and (B) the Employee's Salary as of the last day of the immediately preceding calendar year exceeds the Statutory Compensation Limitation in effect for that particular Plan Year.

Notwithstanding the foregoing, an Employee whose Salary as of the last day of the calendar year preceding a particular Plan Year does not exceed the Statutory Compensation Limitation in effect for that particular Plan Year shall be an Eligible Employee with respect to that particular Plan Year, provided the Employee (A) was an Eligible Employee in the prior Plan Year and had salary reduction contributions credited to his or her Deferral Account in that prior Plan Year, (B) is eligible to participate in the Savings Plan during the particular Plan Year, and (C) his Salary for that particular Plan Year exceeds the Statutory Compensation Limitation in effect for that particular Plan Year.

- (ii) In the case of an Employee who is employed or reemployed by the Company after the first day of a Plan Year and whose Salary in effect on his employment (or reemployment) date exceeds the Statutory Compensation Limitation in effect for that year, subject to the provisions of clause (iii) below, such Employee shall be an Eligible Employee with respect to that Plan Year, provided (i) such Plan Year is his initial year of eligibility in the Plan or any other similar Plan maintained by the Corporation or an Associated Company which is required to be aggregated with this Plan pursuant to the provisions of Treasury Regs. Section 1.409A-1(c)(2), (ii) such Eligible Employee is eligible to participate in the Savings Plan and (iii) such Eligible Employee's Salary for the portion of that Plan Year during which he is eligible to participate in the Savings Plan will exceed the Statutory Compensation Limitation.
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- (iii) Notwithstanding the foregoing, an Eligible Employee shall be eligible to have Salary Deferrals credited on his behalf pursuant to Section 3.01(a) with respect to a particular Plan Year if, and only if, the Eligible Employee's Savings under the Savings Plan for that Plan Year have been suspended due to the Statutory Compensation Limitations. An Eligible Employee shall be notified of his eligibility for participation in the Plan prior to the date the Eligible Employee may first commence participation in the Plan.
- (b) Upon reemployment by the Company, an Employee shall become an Eligible Employee again only upon completing the eligibility requirement described in Section 2.01(a) in a calendar year ending after his reemployment date.

2.02 Participation and Filing Requirements

- (a) (i) Subject to the following provisions of this Section, any Eligible Employee who has met the eligibility requirements of Section 2.01(a)(i) in a Plan Year and who wishes to have Salary Deferrals credited to his Deferral Account in that Plan Year must, prior to the beginning of that Plan Year and before the close of the annual enrollment period established by the Committee, execute a Salary Reduction Agreement with respect to such Plan Year authorizing Salary Deferrals under this Plan in accordance with the provisions of Section 3.01(a). Such Eligible Employee's Salary Reduction Agreement for a Plan Year shall become irrevocable on the date established by the Committee, but not later than the last day of the calendar year preceding the Plan Year in which such Salary is earned. Such Salary Reduction Agreement shall become effective as of the first day of the Plan Year in which the Salary is earned. An Eligible Employee may revoke or change the election on his Salary Reduction Agreement with respect to a particular Plan Year at any time prior to the date the Salary Reduction Agreement applicable to that Plan Year becomes irrevocable.
 - (ii) Notwithstanding the foregoing, any Employee who becomes an Eligible Employee with respect to his first year of employment (or reemployment) pursuant to the provisions of Section 2.01(a)(i), and who wishes to have Salary Deferrals credited to his Deferral Account in that Plan Year must, prior to the close of the 30-day period following (i) the date of his employment or reemployment, whichever is applicable,
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or (ii) , if later, the date he first becomes eligible to participate in the Savings Plan (or such earlier date as determined by the Committee), execute a Salary Reduction Agreement with respect to such Plan Year authorizing Salary Deferrals under this Plan in accordance with the provisions of Section 3.01(a). Such Eligible Executive's Salary Reduction Agreement shall become irrevocable as of the close of said 30-day period. The determination of whether an Eligible Employee may file the Salary Reduction Agreement under this clause (ii) with respect to the Plan Year in which he is employed (or reemployed) shall be determined in accordance with the rules of Code Section 409A, including the provisions of Treasury Regs. Section 1.409A-2(a)(7). The Salary Reduction Agreement applicable to that Plan Year shall be effective only with respect to Salary earned and payable after the date of the Committee's receipt of said Salary Reduction Agreement.

- (b) The election made by an Eligible Employee pursuant to his Salary Reduction Agreement shall remain in effect for subsequent Plan Years, provided the Member is an Eligible Employee during such subsequent Plan Year and, with respect to Salary Deferrals made pursuant to Section 3.01(a), the Eligible Employee's Savings under the Savings Plan for such Plan Year have been suspended due to the Statutory Compensation Limitations. A Salary Reduction Agreement may be modified or revoked prospectively by an Eligible Employee in accordance with the provisions of Section 2.01(a)(i) prior to the date established by the Committee, but not later than the last day of the calendar year preceding the Plan Year for which such modification or revocation is to be effective. Notwithstanding the foregoing, if a Member's Salary Deferral Agreement is cancelled in accordance with Section 2.02(c), the Member will be required to file a new Salary Deferral Agreement under this Section 2.02 in order to commence making Salary Deferrals for any subsequent Plan Year.
 - (c) Notwithstanding the foregoing, if a Member receives a hardship withdrawal of elective deferrals from the Savings Plan or any other plan which is maintained by the Company or an Associated Company and which meets the requirements of Section 401(k) of the Code (or any successor thereof), the Member's Salary Reduction Agreement in effect at that time shall be cancelled. Any Salary payment which would have been deferred pursuant to that
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Salary Reduction Agreement, but for the application of this Section 2.02(c), shall be paid to the Member as if he had not entered into the Salary Reduction Agreement.

- (d) An Eligible Employee shall become a Member when contributions are credited on his behalf pursuant to Article 3.

2.03 Termination of Participation

- (a) A Member's participation in the Plan shall terminate when the vested values of the Member's Accounts under the Plan are totally distributed to, or on behalf of, the Member.
- (b) Subject to the provisions of Section 3.01(e), a Member shall only be eligible to have Salary Deferrals credited on his behalf in accordance with Section 3.01(a) for as long as he remains an Eligible Employee.
- (c) Upon reemployment by the Company, a former Member shall become a Member again only upon completing, subsequent to his reemployment, the eligibility and participation requirements of Section 2.01 and 2.02, respectively.
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ARTICLE III — EXCESS SAVINGS PLAN CONTRIBUTIONS**3.01 Amount of Contributions**

For any Plan Year, the amount of contributions credited under the Plan on behalf of a Member pursuant to this Article 3 shall be equal to the sum of the Salary Deferrals, Excess Matching Contributions and Excess Floor Contributions determined under (a), (b) and (c) below:

(a) Salary Deferrals

The amount of Salary Deferrals for each Plan Year shall be equal to the designated percentage of Salary elected by the Member in his Salary Reduction Agreement, provided that the allocation under the Plan and the reduction in the Eligible Employee's Salary corresponding to such election shall be made only with respect to Salary that is otherwise earned and payable to such Member during the Plan Year in excess of the Statutory Compensation Limitation.

Unless otherwise permitted by the Committee, the designated percentage elected by the Member in his Salary Reduction Agreement for a Plan Year must be a uniform percentage, equal to either zero (0%) percent or six (6%) percent, of his Salary. The total Salary Deferral amount elected for a Plan Year shall reduce the Member's Salary earned and otherwise payable in that Plan Year, and shall not be applied against any amount deferred under any other nonqualified plan maintained by the Company.

(b) Excess Matching Contributions

The amount of Excess Matching Contributions for each Plan Year shall be equal to fifty (50%) percent of the Salary Deferrals by the Member for such Plan Year, and shall be credited to the Member's Matching Contribution Account at the same time as the Salary Deferrals to which they relate.

(c) Excess Floor Contributions

With respect to each Plan Year in which Salary Deferrals are made on a Member's behalf pursuant to paragraph (a) above, Excess Floor Contributions shall be credited on behalf of the Member equal to the result of (i) minus (ii) as follows:

- (i) an amount equal to one half of one percent of the Member's Salary for the Plan Year, minus
 - (ii) the amount of Floor Company Contribution (as that term is defined under the Savings Plan) made by the Company on behalf of the Member under the Savings Plan for such Plan Year and allocated to the Member's account under the Savings Plan in such Plan Year.
- (d) The contributions credited on a Member's behalf pursuant to paragraphs (a), (b) and (c) above shall be credited to a Member's Accounts at the same time as they would have been credited to his accounts under the Savings Plan if not for the application of the Statutory Compensation Limitations.
- (e) Notwithstanding any provisions of the Plan to the contrary, if a Member ceases to be an Eligible Employee after the date a Salary Deferral Agreement for a Plan Year becomes effective but continues to be employed by the Company or an Associated Company, he shall continue to be a Member and his Salary Reduction Agreement for such Plan Year shall remain in effect for the remainder of such Plan Year, and if he is eligible to participate in the Savings Plan for the remainder of such Plan Year, Excess Floor and Excess Matching Contributions, if applicable, shall be made for that Plan Year. However, such Member shall not be eligible to defer any Salary earned in a subsequent year until such time as he once again becomes an Eligible Employee.

3.02 Investment of Accounts

A Member shall have no choice or election with respect to the investments of his Accounts. As of each Reporting Date, there shall be credited or debited an amount of earnings or losses on the balance of the Member's Accounts as of such Reporting Date which would have been credited had the Member's Accounts been invested in the Stable Value Fund maintained under the Savings Plan.

3.03 Vesting of Accounts

- (a) The Member shall be fully vested in the Salary Deferrals and Excess Floor Contributions (and earnings thereon) made on his behalf under Section 3.01(a) and (c) respectively. The Member shall vest in the Excess Matching Contributions made on his behalf under Section 3.01(b) (and earnings thereon) at the same rate and under the same conditions at which such contributions would have vested under the Savings Plan had they been contributed thereunder.

In the event the Member incurs Termination of Employment prior to vesting in all or any part of the Excess Matching Contributions credited on his behalf, such contributions and earnings thereon shall be forfeited and shall not be restored in the event the Member is subsequently reemployed by the Company or an Associated Company.

- (b) Notwithstanding any provision of this Plan to the contrary, in the event of an Acceleration Event, each Member who is employed by the Company or an Associated Company as of the consummation of the Acceleration Event shall become fully vested in the Excess Matching Contributions made on his behalf under Section 3.01(b) (and earnings thereon).

3.04 Individual Accounts

- (a) The Committee shall maintain, or cause to be maintained, on the book of the Corporation records showing the individual balances of each Member's Accounts (or subaccounts). At least once a year, each Member shall be furnished with a statement setting forth the value of his Accounts.
- (b) Accounts established under this Plan shall be hypothetical in nature and shall be maintained for bookkeeping purposes only so that hypothetical earnings or losses on the amounts credited on a Member's behalf under this Plan can be credited or debited, as the case may be.
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3.05 Valuation of Accounts

- (a) The Committee shall value or cause to be valued each Member's Accounts at least quarterly. On each Reporting Date there shall be allocated to the Accounts of each Member the appropriate amount determined in accordance with Section 3.02.
 - (b) Whenever an event requires a determination of the value of a Member's Accounts, the value shall be computed as of the Reporting Date immediately preceding the date of the event, except as otherwise specified in this Plan.
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ARTICLE IV — PAYMENT OF CONTRIBUTIONS**4.01 Commencement of Payment**

- (a) Except as otherwise provided below, a Member shall be entitled to receive payment of his Deferral Account and his Floor Contribution Account and the vested portion of his Matching Contribution Account as determined under Section 3.03 upon his Termination of Employment with the Company and all Associated Companies for any reason, other than death. The distribution of such Accounts shall be made in the seventh month following the date the Member's Termination of Employment occurs.
- (b) In the event of the death of a Member prior to the full payment of his Accounts, the unpaid portion of his Accounts shall be paid to his Beneficiary in the month following the month in which the Member's date of death occurs.

4.02 Method of Payment

With respect to a Member who incurs a Termination of Employment on or after January 1, 2008, payment of such Member's Deferral Account and his Floor Contribution Account and the vested portion of his Matching Contribution Account shall be made in a single lump sum payment.

4.03 Payment upon the Occurrence of a Change in Control

Upon the occurrence of a Change in Control, all Members shall automatically receive the balance of their Deferral Account and Floor Contribution Account and the vested portion of their Matching Contribution Account in a single lump sum payment. Such lump sum payment shall be made within 90 days of the date the Change in Control occurs. If the Member dies after such Change in Control, but before receiving such payment, it shall be made to his Beneficiary.

ARTICLE V — GENERAL PROVISIONS

- 5.01 Funding**
- All amounts payable in accordance with this Plan shall constitute a general unsecured obligation of the Corporation. Such amounts, as well as any administrative costs relating to the Plan, shall be paid out of the general assets of the Corporation.
- 5.02 No Contract of Employment**
- The Plan is not a contract of employment and the terms of employment of any Member shall not be affected in any way by this Plan or related instruments, except as specifically provided therein. The establishment of the Plan shall not be construed as conferring any legal rights upon any person for a continuation of employment, nor shall it interfere with the rights of the Company or an Associated Company to discharge any person and to treat him without regard to the effect which such treatment might have upon him under this Plan. Each Member and all persons who may have or claim any right by reason of his participation shall be bound by the terms of this Plan and all agreements entered into pursuant thereto.
- 5.03 Unsecured Interest**
- Neither the Corporation nor the Board of Directors nor the Committee in any way guarantees the performance of the investment fund designated under Section 3.02. No special or separate fund shall be established, and no segregation of assets shall be made, to assure the payments thereunder. No Member hereunder shall have any right, title, or interest whatsoever in any specific assets of the Corporation. Nothing contained in this Plan and no action taken pursuant to its provisions shall create or be construed to create a trust of any kind or a fiduciary relationship between the Corporation and a Member or any other person. To the extent that any person acquires a right to receive payments under this Plan, such right shall be no greater than the right of any unsecured creditor of the Corporation.
- 5.04 Facility of Payment**
- In the event that the Committee shall find that a Member is unable to care for his affairs because of illness or accident or is a minor or has died, the Committee may direct that any benefit payment due him, unless claim shall have been made therefore by a duly appointed legal representative, be paid on his behalf to his spouse, a child, a parent or other blood relative, or to a
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person with whom he resides, and any such payment so made shall thereby be a complete discharge of the liabilities of the Corporation and the Plan for that payment.

5.05 Withholding Taxes

The Company or an Associated Company shall have the right to deduct from each payment to be made under the Plan any required withholding taxes.

5.06 Nonalienation

Subject to any applicable law, no benefit under the Plan shall be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance or charge, and any attempt to do so shall be void, nor shall any such benefit be in any manner liable for or subject to garnishment, attachment, execution or levy, or liable for or subject to the debts, contracts, liabilities, engagements or torts of a person entitled to such benefits.

5.07 Transfers

- (a) In the event the Corporation (i) sells, causes the sale of, or sold the stock or assets of any employing company in the controlled group of the Corporation to a third party or (ii) distributes or distributed to the holders of shares of the Corporation's common stock all of the outstanding shares of common stock of a subsidiary or subsidiaries of the Corporation, and, as a result of such sale or distribution, such company or its employees are no longer eligible to participate hereunder, the liabilities with respect to the benefits accrued under this Plan for a Member who, as a result of such sale or distribution, is no longer eligible to participate in this Plan, shall, at the discretion and direction of the Corporation (and approval by the new employer), be transferred to a similar plan of such new employer and become a liability thereunder. Upon such transfer (and acceptance thereof) the liabilities for such transferred benefits shall become the obligation of the new employer and the liability under this Plan for such benefits shall cease.
 - (b) Notwithstanding any Plan provision to the contrary, at the discretion and direction of the Corporation, liabilities with respect to benefits accrued by a Member under a plan maintained by such Member's former employer may be transferred to this Plan and upon such transfer become the obligation of the Corporation.
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5.08 Claims Procedure**(a) Submission of Claims**

Claims for benefits under the Plan shall be submitted in writing to the Committee or to an individual designated by the Committee for this purpose.

(b) Denial of Claim

If any claim for benefits is wholly or partially denied, the claimant shall be given written notice within 90 days following the date on which the claim is filed, which notice shall set forth

- (i) the specific reason or reasons for the denial;
- (ii) specific reference to pertinent Plan provisions on which the denial is based;
- (iii) a description of any additional material or information necessary for the claimant to perfect the claim and an explanation of why such material or information is necessary; and
- (iv) an explanation of the Plan's claim review procedure, including, information as to the steps to be taken if the claimant wishes to submit the claim for review and the time limits for requesting a review.

If special circumstances require an extension of time for processing the claim, written notice of an extension shall be furnished to the claimant prior to the end of the initial period of 90 days following the date on which the claim is filed. Such an extension may not exceed a period of 90 days beyond the end of said initial period.

If the claim has not been granted and written notice of the denial of the claim is not furnished within 90 days following the date on which the claim is filed, the claim shall be deemed denied for the purpose of proceeding to the claim review procedure.

(c) **Claim Review Procedure**

The claimant or his authorized representative shall have 60 days after receipt of written notification of denial of a claim to request a review of the denial by making written request to the Committee, and may review pertinent documents and submit issues and comments in writing within such 60-day period.

Not later than 60 days after receipt of the request for review, the Committee (or the committee designated by the Company to hear such appeals, the "Appeals Committee") shall render and furnish to the claimant a written decision, which shall include specific reasons for the decision and shall make specific references to pertinent Plan provisions on which it is based. If special circumstances require an extension of time for processing, the decision shall be rendered as soon as possible, but not later than 120 days after receipt of the request for review, provided that written notice and explanation of the delay are given to the claimant prior to commencement of the extension. Such decision by the Appeals Committee shall not be subject to further review. If a decision on review is not furnished to a claimant within the specified time period, the claim shall be deemed to have been denied on review.

(d) **Exhaustion of Remedy**

No claimant shall institute any action or proceeding in any state or federal court of law or equity or before any administrative tribunal or arbitrator for a claim for benefits under the Plan until the claimant has first exhausted the procedures set forth in this section.

5.09 Compliance

The Plan is intended to comply with the requirements of Code Section 409A and the provisions hereof shall be interpreted in a manner that satisfies the requirements of Code Section 409A and the regulations thereunder, and the Plan shall be operated accordingly. If any provision of the Plan would otherwise frustrate or conflict with this intent, the provision will be interpreted and deemed amended so as to avoid this conflict. The Plan has been administered in good faith compliance with Section 409A and the guidance issued thereunder from January 1, 2005 through December 31, 2008.

5.10 Acceleration of or Delay in Payments

The Committee, in its sole and absolute discretion, may elect to accelerate the time or form of payment of a benefit owed to the Member hereunder, provided such acceleration is permitted under Treas. Regs. Section 1.409A-3(j)(4). The Committee may also, in its sole and absolute discretion, delay the time for payment of a benefit owed to the Member hereunder, to the extent permitted under Treas. Regs. Section 1.409A-2(b)(7).

5.11 Construction

- (a) The Plan is intended to constitute an unfunded deferred compensation arrangement maintained for a select group of management or highly compensated employees within the meaning of Sections 201(2), 301(a)(3), and 401(a)(1) of ERISA, and all rights under this Plan shall be governed by ERISA. Subject to the preceding sentence, the Plan shall be construed, regulated and administered in accordance with the laws of the State of New York, to the extent such laws are not superseded by applicable federal laws.
 - (b) The masculine pronoun shall mean the feminine wherever appropriate.
 - (c) The illegality of any particular provision of this document shall not affect the other provisions and the document shall be construed in all respects as if such invalid provision were omitted.
 - (d) The headings and subheadings in the Plan have been inserted for convenience of reference only and are to be ignored in any construction of the provisions thereof.
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ARTICLE VI — AMENDMENT OR TERMINATION**6.01 Right to Terminate**

Notwithstanding any Plan provision to the contrary, the Corporation may, by action of the Board of Directors, terminate this Plan and the related Deferral Agreements at any time. To the extent consistent with the rules relating to Plan terminations and liquidation in Treasury Regulations Section 1.409A-3(j)(4)(ix) or otherwise consistent with Code Section 409A, the Corporation may provide that each Member or Beneficiary shall receive a single sum payment in cash equal to the balance of the Member's Accounts. The single sum payment shall be made within 90 days following the date the Plan is terminated and shall be in lieu of any other benefit which may be payable to the Member or Beneficiary under this Plan. Unless so distributed, in the event of a Plan termination, the Corporation shall continue to maintain the Deferral Account, the Floor Contribution Account and the Matching Contribution Account until distributed pursuant to the terms of the Plan.

6.02 Right to Amend

The Board of Directors or its delegate may amend or modify this Plan and the related Deferral Agreements in any way either retroactively or prospectively. However, except that without the consent of the Member or Beneficiary, if applicable, no amendment or modification shall reduce or diminish such person's right to receive any benefit accrued hereunder prior to the date of such amendment or modification, and after the occurrence of an Acceleration Event, no modification or amendment shall be made to Sections 3.03(b) and 4.03.

ARTICLE VII — ADMINISTRATION**7.01 Administration**

- (a) The Committee shall have the exclusive responsibility and complete discretionary authority to control the operation, management and administration of the Plan, with all powers necessary to enable it properly to carry out such responsibilities, including, but not limited to, the power to interpret the Plan and any related documents, to establish procedures for making any elections called for under the Plan, to make factual determinations regarding any and all matters arising hereunder, including, but not limited to, the right to determine eligibility for benefits, the right to construe the terms of the Plan, the right to remedy possible ambiguities, inequities, inconsistencies or omissions, and the right to resolve all interpretive, equitable or other questions arising under the Plan. The decisions of the Committee on all matters shall be final, binding and conclusive on all persons to the extent permitted by law.
- (b) To the extent permitted by law, all agents and representatives of the Committee shall be indemnified by the Corporation and held harmless against any claims and the expenses of defending against such claims, resulting from any action or conduct relating to the administration of the Plan, except claims arising from gross negligence, willful neglect or willful misconduct.

Personal and Confidential

Date: February 20, 2009

To: Vincent A. Maffeo, Senior Vice President & General Counsel, ITT Corporation

From: Scott A. Crum, Senior Vice President and Director Human Resources, ITT Corporation

Subject: Transition Memorandum

The purpose of this Transition Memorandum (the "Memorandum") is to confirm our understanding regarding your severance and retirement arrangements, and your separation from active employment from ITT Corporation and its affiliates (ITT) as set forth in this Memorandum and under the terms of the ITT Senior Executive Severance Pay Plan (the "Senior Plan"). The terms of this Memorandum have been reviewed and approved by the Compensation and Personnel Committee of the ITT Board of Directors and the Company has been authorized to execute and perform in accordance with the aforesaid terms. We further agree that the terms of this Memorandum will govern your retirement arrangements and separation, notwithstanding the terms of any other benefit plan in which you participate, except that your rights under the Company's qualified pension plans [including the ITT Salaried Investment & Savings Plan and the ITT Salaried Retirement Plan (the "Qualified Plans")] will be governed by the terms of the applicable plan, except as otherwise specifically noted herein. A copy of the Senior Plan is attached. Upon the execution of the attached Release and expiration of the review and revocation period set forth in the Separation Agreement and General Release of Claims ("Release") to which this Memorandum is attached and incorporated by reference therein, ITT agrees to make the payments and provide the benefits to you as set forth herein.

Expiration of Service and Severance Arrangements

Expiration of Service — You will continue to be employed as an active, full time employee through July 31, 2009 (the "Active Service Termination Date"), at which time your active service shall terminate. You will be paid your current annual base salary of \$476,000 through the Active Service Termination Date, in accordance with the Company's standard payroll practices, procedures and dates. In addition, subject to the terms and conditions of this Memorandum, you and your dependants will continue to participate in all applicable ITT benefit plans through the Active Service Termination Date and as described herein. You will resign as an officer of ITT and as a director or officer of any subsidiary or affiliate of ITT, effective July 31, 2009.

Severance Pay — You are eligible for 24 months of severance payments under the terms of the Senior Plan. Following your Active Service Termination Date of July 31, 2009, you will receive 24 months of severance payments through July 31, 2011 (the "Severance End Date"). ITT will make these payments in the form of severance pay on the regular payroll schedule (currently bi-weekly) through the period set forth above. You will continue to be paid your current annual base salary of \$476,000 throughout the severance period,

provided you have not become eligible for disability payments on or prior to your Active Service Termination Date. In the event you become disabled on or prior to your Termination Date, your entitlement to any short-term disability and/or long-term disability benefits shall be determined in accordance with the applicable short-term or long-term disability plans and the treatment of any such benefits in coordination with the above payments will be in accordance with the terms of such disability plans and the Senior Plan. ITT agrees that it will not exercise any rights that it has under the Senior Plan to pay any remainder of severance pay as a discounted lump sum. You will not be entitled to receive any other pay or any other compensation from ITT except as described in this Memorandum. In the event ITT determines that you are an individual described in Section 416(i) ITT will not make any of the required severance payments for the first six months, and will make seven payments on the first day of the 7th month in accordance with Treas. Reg. section 1.409A-3(i)(2)(ii).

Except as specifically set forth in this letter, for purposes of the various benefit, equity and incentive plans discussed in this Memorandum (other than the Qualified Plans and the ITT Deferred Compensation Plan), your separation date will be deemed to be the earlier of (i) the Severance End Date or (ii) the date of your engaging in any disqualifying conduct as defined in the Senior Plan (referred to hereinafter as the "Severance End Date"), except that it is agreed that ITT shall not unreasonably deny any specific request that work for a competitor not be deemed a disqualifying event.

For purposes of paragraph 9 of the Senior Plan, the decision as to whether you have engaged in disqualifying conduct shall be as reasonably determined by the ITT Senior Vice President, Director Human Resources and, in the event that such a determination is made, you will be given reasonable notice and opportunity to cure any such alleged disqualifying conduct, prior to any decision by ITT to terminate your severance pay. Notwithstanding anything to the contrary, any dispute in connection with disqualifying conduct is subject to final and binding resolution pursuant to Paragraph 11 of the Separation Agreement And General Release of Claims.

Responsibilities – Until the Active Service Termination Date, you will work with the Chief Executive Officer and the SVP and Director Human Resources to transition responsibilities and you will provide such assistance with other matters as they may reasonably request consistent with past responsibilities. If a new General Counsel begins employment at the Company prior to the Active Service Termination Date, you will continue as Senior Vice President, ITT and Director of Legal/Regulatory Affairs, reporting directly to the Chairman, President, and CEO of ITT. In that capacity, you will continue to support the transition, and may work from remote and off-site locations on mutually agreeable special assignments. The new General Counsel will not report to you in your new role.

Annual Incentive (Bonus)

You will receive a full annual incentive award under the ITT Annual Incentive Plan for performance year 2008 based on twelve months of active service in 2008, subject to Company performance and approval by the Compensation and Personnel Committee of the ITT Board of Directors (the "Committee"). Your bonus will be no less than the calculated target as per the program parameters (i.e. \$476,000 multiplied by 70%, then multiplied by the approved performance payout factor for ITT Headquarters, subject to review and approval by the Committee.) You will also receive a full bonus for performance year 2009, prorated by the number of months of active service during 2009 through the Active Service Termination Date (i.e. 7) in accordance with the formula set out above, subject to review by the Committee.

Stock Option Awards

Until your Severance End Date, you may exercise your stock options to the extent they are currently exercisable or become exercisable prior to the Severance End Date (provided that no stock option shall be exercisable beyond its original full term). For purposes of calculating the vesting of your options and the

exercise periods therefore, your employment period shall be deemed to continue until the Severance End Date.

Grants Prior to 2006 under the 2003 Equity Incentive Plan:

- Ø Options granted to you prior to March 8, 2005 are fully exercisable and will remain exercisable through the expiration date of the applicable option.
- Ø Options granted on March 8, 2005 are fully vested and exercisable through March 8, 2012, the option expiration date.

2006 Stock Option Grants :

- Ø Options granted to you on March 6, 2006 are subject to cliff vesting on March 6, 2009. These options will be fully exercisable until the expiration date of the option (March 6, 2013).

2007 and 2008 Stock Option Grants :

- Ø Options granted to you on March 7, 2007 and March 10, 2008 are subject to cliff vesting on March 7, 2010 and March 10, 2011 respectively. These dates are prior to the Severance End Date. The vested portion of each option will be exercisable until the earlier of their expiration dates or the date five years after termination of your employment (the Severance End Date.)

If the option is not vested on the Severance End Date, then a prorated portion will immediately vest upon the Severance End Date. The remaining portion will be forfeited.

The exercise of your options will be in accordance with the terms of the ITT 1994 Incentive Stock Plan and the 2003 Equity Incentive Plan, as applicable, and any applicable Administrative Rules and Regulations in effect at the time of exercise.

Six months after the Active Service Termination Date, you will no longer be subject to the requirement for prior approval before the purchase or sale of ITT stock. You may continue to clear any transaction with respect to such stock with the Company's legal department. You are also subject to the securities laws and ITT's "insider trading" policies in respect of any transaction you effect while in possession of material non-public information regarding ITT stock.

Restricted Stock Awards

- Ø Your 2006 restricted stock award of 3793 shares awarded on March 6, 2006 is subject to cliff vesting on March 6, 2009.
- Ø Your 2007 and 2008 restricted stock awards of 3671 shares and 3869 shares respectively, are subject to cliff vesting on March 7, 2010 and March 10, 2011 respectively. These dates are prior to the Severance End Date and these awards will fully vest according to their terms.

You will receive unrestricted shares as of the vesting dates. The receipt of shares under these awards are subject to your payment to the company of any taxes due with respect to those shares.

Long-Term Incentive Plan (TSR Awards)

You will be eligible to receive payment for your outstanding 2007 and 2008 TSR awards, following the completion of the applicable performance periods. Such payment, if any, will be based on the number of full months of employment and full months after the Active Service Termination Date but before the Severance End Date, and any payment for these awards will be prorated on that basis over the 36-month

performance period. Accordingly, any payment for your outstanding target TSR awards will be calculated as follows:

- Ø 2007 Target Award of \$450,000. Your final payment value, if any, will be prorated, calculated on the basis of the number of months of active employment plus full months after the Active Service Termination Date but before the Severance End Date, during the 36-month performance period ending December 31, 2009. (Based on the dates incorporated in this Memorandum, you should receive a full payout for this award.)
- Ø 2008 Target Award of \$450,000. Your final payment value, if any, will be prorated, calculated on the basis of the number of months of active employment plus full months after the Active Service Termination Date but before the Severance End Date, during the 36-month performance period ending December 31, 2010. (Based on the dates incorporated in this Memorandum, you should receive a full payout for this award.)

Notwithstanding the foregoing, the 2007 and 2008 TSR Awards will be paid no earlier than six months after the Active Service Termination Date.

The ultimate value, if any, of your outstanding TSR awards will be determined based on ITT's TSR performance at the end of the performance periods as measured against the S&P Industrials and approved by the Compensation and Personnel Committee of the Board of Directors. Further, the terms of the ITT 1997 Long-Term Incentive Plan shall prevail, including any acceleration of payments made under applicable provisions of any relevant plan.

Vacation

You will receive a lump-sum payment for any unused vacation for 2009. Payment, if any, will be made following your Active Service Termination Date. Please note that payment for unused vacation will not count for any purpose under any employee benefit plan. You will not be eligible for any vacation for the year 2010 or after.

Automobile Allowance

You will continue to receive your current automobile allowance until your Severance End Date.

Public Announcement

We will mutually agree on the terms of any public announcement relating to your transition or departure, including any announcement of the hiring or appointing of a new General Counsel.

Miscellaneous

You will be entitled to full secretarial support for the entire year 2009, and reasonable secretarial assistance from time to time thereafter until the Severance End Date. You may remain on the Company e-mail system through July 31, 2010.

ITT hereby conveys to you as of the Active Service Termination Date, and you may retain as your personal property, your Company provided computer and Blackberry. Prior to the Active Service Termination Date, you will arrange for an ITT representative in White Plains to delete all ITT data not necessary for continued e-mail access, and leave on the laptop only those programs and data that ITT is permitted to transfer to you at no cost and in compliance with applicable law.

In lieu of outplacement, and to cover normal and customary costs associated with your transition, the Company will pay you an additional \$50,000 to defray those costs. This payment will be made in a lump sum following your Active Service Termination Date and is subject to normal withholding.

Benefit Plans

Benefit Plan Eligibility — During the active service period and until the Severance End Date, your eligibility for certain employee benefit plans shall be as outlined in subsequent paragraphs of this Memorandum, subject to the actual terms of the specific plans as contained in the various plan documents. You will not be entitled to any benefits or perquisites not specifically covered in this Memorandum. In the event of revisions to any or all of the subject plans, your benefits will not be diminished except in accordance with the changes that are generally applicable to all similarly-situated plan participants.

Salaried Retirement Plan and Excess Pension Plan — You are eligible to participate in these plans during the active service period but not thereafter. ITT agrees that for purposes of the Salaried Retirement Plan you may opt to take early retirement benefits at any time after the Active Service Termination Date, and those benefits will be calculated in accordance with the normal early retirement provisions of the Plan. For purposes of the Excess Pension Plan, you must commence your non-grandfathered benefits as soon as you are retirement eligible in accordance with Treas. Reg. section 1.409A-3(i)(2)(ii). You may commence your benefit payment for the qualified portion of your benefit as of your Active Service Termination Date or thereafter. Such distribution commencement date may, but need not, coincide with the payment date of your benefits under the non-qualified Excess Pension Plan. You have elected a lump sum distribution for the Excess portion of your benefit, which the Company agrees will be calculated using whichever allowable interest rate for discounting purposes and other factors (i.e. life expectancy etc.) are the most favorable to the employee. Such lump sum payment may be subject to a six -month delay in order to comply with certain IRS regulations.

Investment and Savings Plan and Excess Savings Plan — You are eligible to participate in the Investment and Savings Plan and in the Excess Savings Plan during the active service period but not thereafter. Six months after your Active Service Termination Date, the restrictions on certain Plan transactions will no longer apply and you will be able to make transactions through the ITT Benefits Center (telephone: 866-488-4889 or at www.benefitsweb.com/itt.html) without the requirement for prior approval before changing investment funds. The distributions from the Excess Savings Plan may be subject to a six month delay in order to comply with certain IRS Regulations.

Insurance Plans

Medical and Dental Insurance and Vision Care Plan — You are eligible to continue coverage under the same terms as an active employee until the Severance End Date. You and your eligible dependants shall be eligible for continued coverage under ITT's retiree health plan under the same terms as other retirees anytime after your Severance End Date.

Group Life Insurance — Your life insurance under the ITT Salaried Life Insurance Plan will continue through the last day of the month in which you remain an active employee. At the end of such period, you will be eligible to convert the remainder without a medical examination, providing you do so within 31 days of the end of coverage. Accidental Death and Dismemberment Insurance under the ITT Salaried Life Insurance Plan ceases on **July 31, 2009**.

ITT Group Accident Insurance Program for Officers and Directors — You will be covered under this Program through the Active Service Termination Date. You will continue during this period to be eligible for the non-contributory portion of this coverage and for any additional optional coverage you may have purchased.

Life Plus — You are eligible to continue your coverage under Life Plus during the active service period but not thereafter. At the end of such period, you may maintain all or part of your Life Plus coverage by requesting direct billing of premiums from Marsh@WorkSolutions, the Program Administrator, at 1-800-552-9665.

Short-Term Disability and Long-Term Disability Insurance — Coverage under these plans ceases on the Active Service Termination Date.

Deferred Compensation Plan — You are a participant in this plan. Distributions shall be governed by the terms of the plan and the elections you have made.

Long Term Care Plan — If you or your spouse are currently enrolled in the ITT Long Term Care Plan, this coverage will continue during the Severance Pay period for as long as your normal active premium contributions continue to be deducted from your Severance Pay. At the end of your Severance Pay period, this coverage can be ported to an outside billing arrangement if you so choose. Please call John Hancock directly at 1-888-216-5054 to set up the transfer from a payroll deduction to an individual billing process prior to your Severance End Date.

Flexible Spending Account Plan — If you are currently enrolled in this program, you can continue to participate in the Flexible Spending Account Plan during the calendar year in which your Severance Pay period began. Therefore, you are eligible to continue participation in this plan until December 31, 2009. You will not be eligible to enroll for 2010.

Special Senior Executive Severance Pay Plan

During the active service period you will continue to be covered under the ITT Special Senior Executive Severance Pay Plan (“Special Severance Plan”) in accordance with and subject to the terms of said Plan. Accordingly, notwithstanding anything to the contrary herein, or in the Special Severance Plan, if an Acceleration Event (as defined in the Special Severance Plan) shall occur on or before the Active Service Termination Date, you will be deemed to be a full-time, regular salaried employee of ITT in Band A whose employment is terminated by the company other than for Cause, or who has terminated employment for Good Reason (as “Cause” and “Good Reason” are defined in the Special Severance Plan). Hence, if an Acceleration Event occurs on or before the Active Service Termination Date, you will be entitled to all of the benefits provided in the Special Severance Plan for special severance executives in Band A, subject to offset as provided below. Any severance payments and any other severance benefits to which you may be entitled pursuant to the Special Severance Plan shall be subject to offset by the severance payments and other severance benefits provided pursuant to this Memorandum, such offset to be in accordance with and subject to the terms of “Offset” Paragraph 10 of the Special Severance Plan.

Tax Preparation and Financial Planning

You will be eligible for Financial Planning Assistance, which includes the Executive Tax Program, through tax year 2011; reimbursement for 2009, 2010, and 2011 tax preparation work to be available in 2010, 2011, and 2012 in accordance with the terms of the Program to be paid by the company in accordance with its usual practice. The company will not take any action which is intended to deny you continuing access to the Financial Planning Assistance for future years beyond 2011 at your own cost. Any reimbursement made pursuant to this paragraph for fees under the Executive Tax Program and/or fees for Financial

Planning Assistance through tax year 2011 will be fully grossed-up for federal, state and local tax purposes, including income tax purposes.

Payroll Deductions

To the extent applicable, payroll deductions and benefit plan elections currently authorized by you, as well as appropriate tax withholding, will continue during the active service period. If you wish to change the deductions or an election at any time during the active service period, please contact the Human Resources or Payroll departments.

Annual Physical and Health

You will be eligible for company-paid annual physical examinations at a facility of your own choosing, through 2011. You may avail yourself of a Company reimbursed health club membership in accordance with the Company's executive plan, if the plan is continued, through 2011.

Death

In the event of your death prior to the completion and/or termination of all payments and benefits hereunder, such payments and benefits will be continued in accordance with this Memorandum, and any payments and benefits payable upon your death under the terms of any applicable benefit plan shall be promptly made to your estate, except for any benefit for which you have filed with ITT a designation of a named beneficiary other than your estate.

(You are encouraged to review this Memorandum and the attached Release with an attorney of your own choosing, with the fee to be reimbursed by ITT, with an appropriate tax "gross-up" if necessary to account for federal, state and local taxes, including income taxes. ITT acknowledges that you personally have not acted as Counsel or Legal Advisor to the Company in connection with any of the matters set forth herein, and that the Company has not relied on your advice in agreeing to the terms of this Memorandum and Release.)

The parties hereby indicate their agreement with the terms and conditions of this Memorandum and the attached Release by signing and dating this Memorandum in the space provided below.

EMPLOYEE: Vincent A. Maffeo

/s/ Vincent A. Maffeo
Employee's Signature

STATE OF NEW YORK

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COUNTY OF WESTCHESTER ss:

Subscribed and sworn before me this 23rd day of February, 2009.

/s/ Peter A. Timpano Jr
PETER A. TIMPANO JR
Notary Public, State of New York
No. 01TI6090883
Qualified in Westchester County
Commission Expires April 21, 2011

EMPLOYER: ITT Corporation

/s/ Scott A. Crum

Scott A. Crum, Senior Vice President and Director, Human Resources

STATE OF NEW YORK)

)

COUNTY OF WESTCHESTER ss:

Subscribed and sworn before me this 23rd day
of February, 2009.

/s/ Peter A. Timpano Jr

PETER A. TIMPANO JR

Notary Public, State of New York

No. 01T16090883

Qualified in Westchester County

Commission Expires April 21, 2011

Separation Agreement and General Release of Claims

The Separation Agreement and General Release (“**Release**”) is made and entered into by and between ITT Corporation (“ITT” or the “Company”) and Vincent A. Maffeo (referred to herein in the first person). In consideration of the mutual promises contained herein, it is mutually agreed as follows:

1. I will be employed with ITT for the active service period set forth in the Transition Memorandum entered into between ITT and myself (the “Memorandum”), to which this Release is attached and incorporated by reference. After my active service period ends, I will receive severance payments for 24 months based on my annual base salary of \$476,000 and the other benefits and commitments described in the Memorandum, subject to the terms and conditions set forth in the Memorandum.
 2. I agree to the following:
 - (a) I am not eligible and will not receive any compensation, fringe benefits or employee benefits or any pay in lieu of notice or any severance or termination pay except as provided in the Memorandum. I agree and acknowledge that the pay set forth in the Memorandum is good and sufficient consideration for all of my promises, obligations, and covenants set forth in the Memorandum and in this Release.
 - (b) On behalf of myself and my heirs, executors, administrators, personal and legal representatives, successors and assigns (“Releasers”), I waive, release and forever discharge ITT, its current and former subsidiaries, affiliates, divisions and related entities and their predecessors, successors and assigns, and all of their past and present officers, directors, shareholders, agents, representatives, administrators, employees, and benefit plans (collectively “Releasees”) from any and all claims, demands, debts, liabilities, obligations, expenses (including attorney’s fees and costs), promises, covenants, controversies, grievances, claims, suits, actions or causes of action, in law or in equity, known or unknown to me, foreseen or unforeseen, contingent or not contingent, liquidated or not liquidated, which I may have had in the past, may have now, or may in the future claim to have against Releasees arising with respect to any incident, event, act or omission related to my employment by the Company occurring at any time prior to my signing of this Release. This Release shall not operate as a release or waiver of claims or rights that may arise after the date of its execution, for vested benefits, for indemnification pursuant to Company policy or applicable law, for coverage under any directors’ and officers’ personal liability or any fiduciary liability, insurance policy in accordance with the terms of such policy, or any rights I may have as a shareholder in a public company (collectively, the “Reserved Rights”) and this Release shall not affect my right to seek specific enforcement and/or damages for any alleged breach of the terms and conditions of the Memorandum and this Release.
 - (c) There are various state and federal laws that prohibit employment discrimination including discrimination on the basis of age, sex, race, color, national origin, religion, disability and veteran status and these laws are enforced through the United States Equal Employment Opportunity Commission, the United States Department of Labor, various federal and state agencies, and the federal and state courts. This Release specifically includes, but is not limited to, any and all claims and causes of action arising under tort or contract law or specific statutes prohibiting discrimination based on sex, color, race, national origin, religion, disability, veteran status or age, including without limitation, the Americans With Disabilities Act, the Age Discrimination in Employment Act of 1967,
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Title VII of the Civil Rights Act of 1964, the Civil Rights Acts of 1866 and 1871, the Equal Pay Act, or any other federal, state, city, or local laws.

- (d) In consideration of the benefits provided to me under the Memorandum and this Release, I agree to waive and will not assert any of the claims or causes of action that I have waived in this Release before any federal or state court, any federal or state agency, or in any public or private arbitration. This prohibition does not apply if it would be a violation of applicable law or regulation. If this prohibition does not apply, however, and a charge or lawsuit is filed by or on behalf of me, I agree not to seek or accept any personal relief, award, monetary damages or other benefits in connection with or based on such charge or lawsuit. This paragraph is not intended to limit my right to commence and maintain legal action for the sole purpose of enforcing the Memorandum and this Release or the Reserved Rights.
 - (e) I also agree to waive, release and forever discharge Releasees from any and all claims, causes of action and lawsuits that may arise from any incident, event, act or omission related to my employment by the Company occurring during my active service period or severance pay period as those terms are defined in the Memorandum, except for the purpose of enforcing the Memorandum and this Release or the Reserved Rights.
3. Releasees hereby waive, release and forever discharge Releasors from all claims, demands, debts, liabilities, obligations, expenses (including attorney's fees and costs), promises, covenants, controversies, grievances, claims, suits, actions or causes of action, in law or in equity, known or unknown, foreseen or unforeseen, contingent or not contingent, liquidated or not liquidated, direct or derivative, which Releasees may have had in the past, may have now, or may in the future claim to have against Releasors arising with respect to any incident, event, act or omission occurring at any time prior to my signing of this Release, provided however, that this Release shall not operate as a release or waiver of claims or rights that arise wholly after the date of its execution. Nor shall this Release in any way apply to or waive any of Releasees' rights to enforce the terms and conditions of the Memorandum and this Release through legal action.
 4. After my service period ends, notwithstanding Section 7 of the ITT Senior Executive Severance Pay Plan, I will receive no future benefits, compensation or perquisites (including but not limited to severance pay and benefits) from ITT except as set forth in the Memorandum.
 5. Except as may be required under applicable law or the rules of a stock exchange or national securities quotation system, I agree to keep the Memorandum and this Release confidential and not to disclose their contents to anyone except my immediate family, my financial or legal consultants, and appropriate governmental agencies that require this information.
 6. I agree not to slander, defame or otherwise intentionally injure the reputation of ITT or its officers, directors, employees, agents, representatives, or products. The Company and all Releasees agree not to slander, defame or otherwise intentionally injure my reputation or professional standing.
 7. I acknowledge that: (i) I have been advised in writing to consult with an attorney of my own choice regarding this Release and the Memorandum; (ii) I have been advised in writing that I may have at least 21 days from my receipt of this Release and the Memorandum to review and consider them; (iii) I actively participated in the negotiation of the terms and conditions of this Release and the Memorandum; (iv) I fully understand those terms and conditions; (v) I am voluntarily and of my own free will executing this Release and the Memorandum on the date reflected below; and (vi) during a period of seven days following my execution of this Release and the Memorandum, I may revoke such executions and this Release and the Memorandum shall not be effective or enforceable until such seven day period has expired. Should I desire to revoke this Release and the Memorandum, my revocation must be in writing and addressed to Scott A. Crum, Senior Vice President and Director Human Resources, ITT, 1133 Westchester Avenue, White Plains, NY 10604 and delivered to Mr. Crum within the seven day revocation period.

8. ITT and any Releasee shall not be liable for any other monies or payment to me or on my behalf other than as described in this Release and the Memorandum. This Release and the Memorandum, which is incorporated herein, contain the entire agreement between me, ITT, and all Releasees relating to the subject matter thereof. This Release fully supersedes any and all prior agreements or understandings, whether oral or written. I represent and acknowledge that in signing this Release and the Memorandum, I have not relied upon any representation or statement, oral or written, not set forth herein. No amendment to this Release or the Memorandum shall be binding unless it is in writing, expressly designated as an amendment, dated, and signed by the parties.
9. Nothing in this Release or the Memorandum constitutes an admission of liability by ITT or any Releasee or me, and this Release or the Memorandum will not be used by me, ITT or any other entity or person as evidence in any proceeding or trial, except to enforce the terms of this Release and Memorandum or the Reserved Rights.
10. This Release and the Memorandum shall be construed in accordance with the laws of the State of New York. Should any provision of this Release or the Memorandum be determined invalid or unenforceable, the validity of the remaining provisions shall not be affected and shall remain in full force and effect to the maximum extent permitted by law.
11. Any dispute, controversy or claim arising out of or relating to this Release or the Memorandum, or to an alleged breach thereof, shall be finally resolved by arbitration. The arbitration shall be conducted by one (1) arbitrator jointly agreed to by ITT and me or, if we cannot agree on an arbitrator, appointed by the American Arbitration Association. The arbitration shall be conducted in accordance with the Employment Dispute Resolution Rules then in effect of the American Arbitration Association, which shall administer the arbitration and act as appointing authority. The arbitration, including the rendering of the award, shall take place in White Plains, New York, and shall be the exclusive forum for resolving such dispute, controversy or claim. For the purpose of this arbitration, the provisions of this Release and Memorandum and all rights and obligations thereunder shall be governed and construed in accordance with the laws of New York, but the arbitrator shall not have the power to award punitive or exemplary damages. The arbitration proceedings, the subject matter thereof, and the award shall be maintained on a confidential basis by the parties, the mediator, the Arbitrator and the American Arbitration Association, all of whom shall be bound by this confidentiality provision, except to the extent such information is disclosed to a court in an action to enforce the arbitrator's award. The decision of the arbitrator shall be binding upon the parties hereto, and each party shall be responsible for its own expenses and attorney's fees in connection with the arbitration, except as expressly set forth herein. The decision of the arbitrator shall be executory, and judgment thereon may be entered by any court of competent jurisdiction. ITT will pay seventy-five percent of the American Arbitration Association's arbitration administrative fees and the fees and expenses of the arbitrator, and I will pay twenty-five percent.
12. The Memorandum and Release shall be binding upon, and assumed by, all successors and assigns of ITT.
13. I have carefully read this Release and the Memorandum, fully understand their provisions, and my signature below indicates my understanding and agreement with their terms and conditions.

The original executed Release and the Memorandum must be returned to Scott A. Crum, Senior Vice President and Director Human Resources, ITT Corporation, 1133 Westchester Avenue, White Plains, NY 10604.

EMPLOYEE: Vincent A. Maffeo

/s/ Vincent A. Maffeo

Employee's Signature

STATE OF

COUNTY OF

Subscribed and sworn before me this 23rd day
of February, 2009

Notary Public

My Commission expires: April 11, 2011

EMPLOYER: ITT Corporation.

/s/ Scott A. Crum, Senior Vice President and Director, Human Resources

Scott A. Crum, Senior Vice President and Director, Human Resources

STATE OF NEW YORK

COUNTY OF WESTCHESTER

Subscribed and sworn before me this 23rd day
of February, 2009

Notary Public

My Commission expires: April 21, 2011

ITT Corporation
Senior Executive Severance Pay Plan

1. Purpose

The purpose of this ITT Corporation Senior Executive Severance Pay Plan ("Plan") is to assist in occupational transition by providing severance pay for employees covered by this Plan whose employment is terminated under conditions set forth in this Plan.

2. Covered Employees

Covered employees under this Plan ("Executives") are full-time, regular salaried employees of ITT Corporation ("ITT") and of any subsidiary company ("ITT Corporation Subsidiary") (collectively or individually as the context requires "Company") who are United States citizens, or who are employed in the United States, in Band A at any time within the two year period immediately preceding the date the Company selects as the Executive's last day of active employment ("Scheduled Termination Date").

3. Severance Pay Upon Termination of Employment

If the Company terminates an Executive's employment, the Executive shall be provided severance pay in accordance with the terms of this Plan except where the Executive:

- is terminated for cause,
- accepts employment or refuses comparable employment with a purchaser as provided in Section 8, "Divestiture",
- is terminated with a Scheduled Termination Date on or after the Executive's Normal Retirement Date as defined herein, or
- voluntarily terminates employment with the Company prior to the Scheduled Termination Date.

No severance pay will be provided under this Plan where the Executive terminates employment by:

- voluntarily resigning,
- voluntarily retiring, or
- failing to return from an approved leave of absence (including a medical leave of absence).

No severance pay will be provided under this Plan upon any termination of employment as a result of the Executive's death or disability.

"Normal Retirement Date" shall mean the first of the month which coincides with or follows the Executive's 65th birthday.

4. Schedule of Severance Pay

Severance pay will be provided in accordance with the following Schedule of Severance Pay which sets forth the months of Base Pay which is provided to an Executive based upon the Executive's Years of Service as of the Scheduled Termination Date.

Years of Service	Months of Base Pay
Less than 4	12
4	13
5	14
6	15
7	16
8	17
9	18
10	19
11	20
12	21
13	22
14	23
15 or more	24

"Base Pay" shall mean the annual base salary rate payable to the Executive at the Scheduled Termination Date divided by twelve (12) months. Such annual base salary rate shall in no event be less than the highest annual base salary rate paid to the Executive at any time during the twenty-four month (24) period immediately preceding the Scheduled Termination Date.

"Years of Service" shall mean the total number of completed years of employment since the Executive's ITT system service date to the Scheduled Termination Date, rounded to the nearest whole year. The ITT system service date is the date from which employment in the ITT system is recognized for purposes of determining eligibility for vesting under the applicable Company retirement plan covering the Executive on the Scheduled Termination Date.

Notwithstanding the above Schedule of Severance Pay, (i) in no event shall months of Base Pay provided to an Executive exceed the number of months remaining between the Scheduled Termination Date and the Executive's Normal Retirement Date or (ii) shall severance pay exceed the equivalent of twice the Executive's total annual compensation during the year immediately preceding the Scheduled Termination Date.

5. Form of Payment of Severance Pay

Severance pay shall be paid in the form of periodic payments according to the regular payroll schedule ("Severance Pay").

Severance Pay will commence within 60 days following the Scheduled Termination Date.

In the event of an Executive's death during the period the Executive is receiving Severance Pay, the amount of severance pay remaining shall be paid in a discounted lump sum to the Executive's spouse or to such other beneficiary or beneficiaries designated by the Executive in writing, or, if the Executive is not married and failings such designation, to the estate of the Executive. Any discounted lump sum paid under this Plan shall be equal to the present value of the remaining periodic payments of severance pay as

determined by ITT using an interest rate equal to the prime rate at Citibank in effect on the date of the Executive's death.

If an Executive is receiving Severance Pay, the Executive must continue to be available to render to the Company reasonable assistance, consistent with the level of the Executive's prior position with the Company, at times and locations that are mutually acceptable. In requesting such services, the Company will take into account any other commitments which the Executive may have. After the Scheduled Termination Date and normal wind up of the Executive's former duties, the Executive will not be required to perform any regular services for the Company. In the event the Executive secures other employment during the period the Executive is receiving Severance Pay, the Executive must promptly notify the Company.

Severance Pay will cease if an Executive is rehired by the Company.

6. Benefits During Severance Pay

As long as an Executive is receiving Severance Pay, except as provided in this Section or in Section 7, the Executive will continue to be eligible for participation in Company employee benefit plans in accordance with the provisions of such plans as in effect on the Scheduled Termination Date. An Executive will not be eligible to participate in any Company tax qualified retirement plans, non-qualified excess or supplemental benefit plans, short-term or long-term disability plans, the Company business travel accident plan or any new employee benefit plan or any improvement to any existing employee benefit plan adopted by the Company after the Scheduled Termination Date.

7. Excluded Executive Compensation Plans, Programs, Arrangements, and Perquisites

During the period an Executive is receiving Severance Pay, the Executive will not be eligible to accrue any vacation or participate in any (i) bonus program, (ii) special termination programs, (iii) tax or financial advisory services, (iv) new awards under any stock option or stock related plans for executives (provided that the Executive will be eligible to exercise any outstanding stock options in accordance with the terms of any applicable stock option plan), (v) new or revised executive compensation programs that may be introduced after the Scheduled Termination Date and (vi) any other executive compensation program, plan, arrangement, practice, policy or perquisites unless specifically authorized by ITT in writing. The period during which an Executive is receiving Severance Pay does not count as service for the purpose of any ITT long term incentive award program including, but not limited to, the ITT Restricted Stock Award Plan (1984) and any similar plan, and the ITT Long-Term Performance Plan and any similar plan unless otherwise provided in plan documents previously approved by the Board of Directors or Compensation and Personnel Committee.

8. Divestiture

If an ITT Subsidiary or division of ITT or a portion thereof at which an Executive is employed is sold or divested and if (i) the Executive accepts employment or continued employment with the purchaser or (ii) refuses employment or continued employment with the purchaser on terms and conditions substantially comparable to those in effect immediately preceding the sale or divestiture, the Executive shall not be provided severance pay under this Plan. The provisions of this Section 8 apply to divestitures accomplished through sales of assets or through sales of corporate entities.

9. Disqualifying Conduct

If during the period an Executive is receiving Severance Pay, the Executive (i) engages in any activity which is inimical to the best interests of the Company; (ii) disparages the Company; (iii) fails to comply with any Company Covenant Against Disclosure and Assignment of Rights to Intellectual

Property; (iv) without the Company's prior consent, induces any employees of the Company to leave their Company employment; (v) without the Company's prior consent, engages in, becomes affiliated with, or becomes employed by any business competitive with the Company; or (vi) fails to comply with applicable provisions of the ITT Code of Conduct or applicable ITT Corporate Policies or any applicable ITT Subsidiary Code or policies, then the Company will have no further obligation to provide severance pay.

10. Release

The Company shall not be required to make or continue any severance payments under this Plan unless the Executive executes and delivers to ITT within 45 days following the Scheduled Termination Date a release, satisfactory to ITT, in which the Executive discharges and releases the Company and the Company's directors, officers, employees and employee benefit plans from all claims (other than for benefits to which Executive is entitled under any Company employee benefit plan) arising out of Executive's employment or termination of employment.

11. Administration of Plan

This Plan shall be administered by ITT, who shall have the exclusive right to interpret this Plan, adopt any rules and regulations for carrying out this Plan as may be appropriate and decide any and all matters arising under this Plan, including but not limited to the right to determine appeals. Subject to applicable Federal and state law, all interpretations and decisions by ITT shall be final, conclusive and binding on all parties affected thereby.

12. Termination or Amendment

ITT may terminate or amend this Plan ("Plan Change") at any time except that no such Plan Change may reduce or adversely affect severance pay for any Executive whose employment terminates within two years of the effective date of such Plan Change provided that the Executive was a covered employee under this Plan on the date of such Plan Change.

13. Offset

Any severance pay provided to an Executive under this Plan shall be offset in a manner consistent with Section 15 by reducing such severance pay by any severance pay, salary continuation, termination pay or similar pay or allowance which Executive receives or is entitled to receive (i) under any other Company plan, policy practice, program, arrangement; (ii) pursuant to any employment agreement or other agreement with the Company; (iii) by virtue of any law, custom or practice. Any severance pay provided to Executive under this Plan shall also be offset by reducing such severance pay by any severance pay, salary continuation pay, termination pay or similar pay or allowance received by the Executive as a result of any prior termination of employment with the Company.

Coordination of severance pay with any pay or benefits provided by any applicable ITT short-term or long-term disability plan shall be in accordance with the provisions of those plans.

14. Miscellaneous

Except as provided in this Plan, the Executive shall not be entitled to any notice of termination or pay in lieu thereof.

In cases where severance pay is provided under this Plan, pay in lieu of any unused current year vacation entitlement will be paid to the Executive in a lump sum.

Benefits under this Plan are paid for entirely by the Company from its general assets.

This Plan is not a contract of employment, does not guarantee the Executive employment for any specified period and does not limit the right of the Company to terminate the employment of the Executive at any time.

The section headings contained in this Plan are included solely for convenience of reference and shall not in any way affect the meaning of any provision of this Plan

15. Section 409A

This Plan is intended to comply with Section 409A of the Internal Revenue Code of 1986, as amended (the "Code") and will be interpreted in a manner intended to comply with Section 409A of the Code. Notwithstanding anything herein to the contrary, (i) if at the time of the Executive's termination of employment with the Company the Executive is a "specified employee" as defined in Section 409A of the Code (and any related regulations or other pronouncements thereunder) and the deferral of the commencement of any payments or benefits otherwise payable hereunder as a result of such termination of employment is necessary in order to prevent any accelerated or additional tax under Section 409A of the Code, then the Company will defer the commencement of the payment of any such payments or benefits hereunder (without any reduction in such payments or benefits ultimately paid or provided to the Executive) until a date that is six months following the Executive's termination of employment with the Company (or the earliest date as is permitted under Section 409A of the Code), at which point all payments deferred pursuant to this Section 15 shall be paid to the Executive in a lump sum and (ii) if any other payments of money or other benefits due hereunder could cause the application of an accelerated or additional tax under Section 409A of the Code, such payments or other benefits shall be deferred if deferral will make such payment or other benefits compliant under Section 409A of the Code, or otherwise such payment or other benefits shall be restructured, to the extent possible, in a manner, determined by the Company, that does not cause such an accelerated or additional tax. To the extent any reimbursements or in-kind benefits due under this Plan constitute "deferred compensation" under Section 409A of the Code, any such reimbursements or in-kind benefits shall be paid in a manner consistent with Treas. Reg. Section 1.409A-3(i)(1)(iv). Each payment made under this Plan shall be designated as a "separate payment" within the meaning of Section 409A of the Code. The Company shall consult with Executives in good faith regarding the implementation of the provisions of this section; provided that neither the Company nor any of its employees or representatives shall have any liability to Executives with respect thereto.

16. Adoption Date and Amendments

This Plan was initially adopted by ITT on December 12, 1989 ("Adoption Date") and assumed by ITT Indiana, Inc. (renamed ITT Industries, Inc.) on October 10, 1995 and does not apply to any termination of employment which occurred or which was communicated to the Executive prior to the Adoption Date. The Plan was most recently amended effective December 31, 2008.

ITT CORPORATION
NON-EMPLOYEE DIRECTOR DEFERRED RESTRICTED STOCK UNIT AWARD
SUBSEQUENT ELECTION FORM

If you desire to elect a later time of payment of Restricted Stock Units ("RSUs") and related dividend equivalents that you previously deferred, you should complete this form and return to:

Attention: Vivian Houchens, The Newport Group, 3957 Westerre Parkway, Suite 401, Richmond, VA 23233. Please retain a duplicate copy for your records.

SECTION 1 — DIRECTOR INFORMATION

Last Name	First Name	MI	Social Security Number
Mailing Address			Daytime Telephone

This Subsequent Election Form is used to establish a later in-service distribution date for previously deferred RSUs and related dividend equivalents. This Subsequent Election Form will relate only to the deferred RSUs and related dividend equivalents you specify below. This Subsequent Election Form may only be used with respect to deferred RSUs and related dividend equivalents that you previously elected to receive upon a specified date or, if earlier, your separation from service. It may not be used with respect to previously deferred RSUs and related dividend equivalents that you previously elected to receive upon separation from service.

SECTION 2 — CHANGE OF DISTRIBUTION DATE

This Subsequent Election Form relates to: *(select one and provide date and, if applicable, identify RSU grants)*

- ALL** deferred RSUs and related dividend equivalents that I previously elected to receive upon the earlier of (i) the date I separate from service as a Director for any reason or (ii) _____, 20__ *(insert the date you previously selected).**
- ONLY THE FOLLOWING** deferred RSUs: *(identify RSU grant or grants by year, e.g., 2009 RSU Grant)*
_____ & nbsp; _____ and related dividend equivalents, which I previously elected to receive upon the earlier of (i) the date I separate from service as a Director for any reason or (ii) _____, 20__ *(insert the date you previously selected).**

* *If you would like to change the in-service distribution date for additional previously deferred RSUs and related dividend equivalents, please complete an additional Subsequent Election Form.*

I hereby elect to have the previously deferred RSUs and related dividend equivalents that are identified above settled/paid on the upon the earlier of (i) the date I separate from service as a Director for any reason or (ii) _____, 20__, rather than the date specified in my prior election forms.**

** *The date you select must be at least 5 years later than the date you previously selected as the payment date, and this Subsequent Election Form must be delivered to The Newport Group at least twelve (12) months before the currently scheduled distribution date (the "Election Deadline").*

SECTION 3 — ACKNOWLEDGEMENT AND AUTHORIZATION

I understand and agree to the following:

- 1) To be effective, this Subsequent Election Form must be delivered to The Newport Group at least 12 months before the date distribution is currently scheduled to be made — the “Election Deadline”.
- 2) I may revoke this Subsequent Election Form and/or file another Subsequent Election Form that will supersede this Subsequent Election Form at any time prior to the Election Deadline.
- 3) Once the Election Deadline occurs, any further changes I wish to make to the time of distribution of the amounts subject to this election will be subject to the conditions in Section 409A of the Code relating to subsequent elections. These conditions require that any such future subsequent elections (i) be made not less than 12 months before the distribution date then in effect and not take effect until at least 12 months after the date on which the subsequent election is made and (ii) provide for an additional deferral of not less than 5 years from the distribution date then in effect.
- 4) I understand that the RSUs subject to this Subsequent Election Form will be settled (and dividend equivalents will be paid) on the date or event specified above or as soon as practicable thereafter, but in all events will be settled and paid (i) if the settlement and payment date is separation from service, not later than 90 days after the date of separation from service or (ii) if the settlement and payment date is the specified date, not later than the last day of the calendar year in which the specified date occurs. I understand that in the event of my death prior to settlement of the RSUs or payment of any related dividend equivalents, the RSUs will be settled and any dividend equivalents will be paid to my designated beneficiary or, if no such designated beneficiary exists, to my estate.
- 5) I understand that, notwithstanding anything to contrary in this Subsequent Election Form, to the extent permitted by Section 409A of the Code and any treasury regulations or other applicable guidance promulgated with respect thereto, the issuance or delivery of any shares pursuant to this Subsequent Election Form may be delayed if the Company reasonably anticipates that the issuance or delivery of the Shares will violate Federal securities laws or other applicable law; provided that delivery or issuance of the shares shall be made at the earliest date at which the Company reasonably anticipates that such delivery or issuance will not cause a violation.

I have read and understand this Subsequent Election Form and hereby authorize the Company to take all actions indicated on this form.

Date

Non-Employee Director’s Signature

[Newport letterhead]

December 12, 2008

[Name]
[Address]**Re: Required Modifications to Prior Annual Retainer Deferrals**

*This letter agreement will serve as an amendment to certain of your prior Deferral Election Forms and is intended to bring those Deferral Election Forms into documentary compliance with Section 409A of the Internal Revenue Code. Please read this letter carefully and if you agree to the amendment of the applicable Deferral Election Forms, please sign where indicated and return to me as soon as possible, but in no event later than **December 31, 2008**.*

Dear []:

Section 409A of the Internal Revenue Code imposes significant, adverse taxes on individuals whose compensation is deferred (including accelerated income tax recognition and imposition of a 20% additional tax and interest) if the terms of the governing deferred compensation plan or agreement do not comply with Section 409A and related regulations by the end of 2008.

As part of our review of compensation plans for compliance with Section 409A, we have determined that the Deferral Election Forms relating to annual retainers deferred after 2004 (the "Deferral Agreements") should be amended to help ensure they comply with Section 409A.¹

Your Deferral Agreements will be amended to comply with Section 409A by making them subject to the terms and conditions of the ITT Corporation Deferred Compensation Plan for Non-Employee Directors, which was adopted on October 7, 2008 (the "Plan"). Once subject to the terms and conditions of the Plan, if there is a conflict between the terms and conditions of the Deferral Agreements and the Plan, the terms and conditions of the Plan will govern.

Description of Section 409A Amendments

The terms of the Plan are more restrictive than the terms of your Deferral Agreements in a few respects. Following is a description of two noteworthy changes that will be made to your

¹ Deferral Election Forms relating to annual retainers deferred before 2005 are not subject to Section 409A, and will therefore continue to be governed by the current terms and conditions of the applicable Deferral Election Forms and not the Plan.

Deferral Agreements by making them subject to the terms of the Plan, together with an explanation of why the amendments are necessary.²

- **“Separation from Service.”** Under Section 409A, deferred compensation generally must be paid on a specified date or dates or on a payment event permitted by Section 409A. A “separation from service,” as that term is used in Section 409A, is a permissible payment event.

Your Deferral Agreements may provide for payment when you leave the board, but they do not require that you have experienced a “separation from service,” as that term is used in Section 409A. For example, your Deferral Agreements may provide that payments will be made when you retire or when your service on the board ceases. It is possible to cease being a member of the board, but not have a “separation from service,” as that term is used in Section 409A. For example, if a director were to provide substantial services to the company as a consultant after ceasing to be a member of the board, it may not constitute a separation from service for purposes of Section 409A. Making a payment to the director in that case would violate Section 409A.

If your Deferral Agreements are subject to the terms of the Plan, you would not receive a distribution of the amounts deferred pursuant to those Deferral Agreements upon termination from the board unless you experienced a “separation from service,” as that term is used in Section 409A.

- **Changing Payment Dates.** Some of your Deferral Agreements may have permitted you to change the time of distribution of your deferrals in ways that would not comply with Section 409A’s rules regarding changes to time of payment elections. If your Deferral Agreements are subject to the terms of the Plan, your ability to change the time of payment of the amounts deferred pursuant to those Deferral Agreements will be subject to the conditions set forth in Section 5.01(c) of the Plan and Section 409A of the Code relating to subsequent elections. These conditions require that any such future elections (i) be made not less than 12 months before the date distribution would have been made but for the new election and not take effect until at least 12 months after the date on which the new election is made and (ii) provide for an additional deferral of not less than 5 years from the date distribution would have been made but for the new election.

² Please note that if your Deferral Agreements are subject to the terms of the Plan, they would be subject to all of the terms and conditions of the Plan, in addition to those described in this letter. You should read the Plan and the Q&A summary that was provided to you in November so that you understand the terms and conditions that will govern your Deferral Agreements.

Please sign below to confirm that you have read and understand the foregoing and that you agree to have your Deferral Agreements become subject to the terms and conditions of the Plan. If you have any questions, please contact me at _____.

Very truly yours,

[name]
[title]

AGREED:

[Name]

Date

ITT EXCESS PENSION PLAN IIB
Effective as of January 1, 2008
As Amended and Restated as of December 31, 2008

ITT EXCESS PENSION PLAN IIB

The ITT Excess Pension Plan IIB (the "Plan") has been authorized and adopted by the Board of Directors of ITT Corporation (the "Corporation") to be effective as of January 1, 2008. The purpose of the Plan is to provide certain supplemental benefits to certain select management or highly compensated employees who qualify for benefits under the ITT Salaried Retirement Plan (the "Retirement Plan").

Effective as of January 1, 2008, the ITT Excess Pension Plan II was amended (i) to solely provide to individuals who are eligible employees thereunder on and after January 1, 2008, the excess benefits which would have been payable under the Retirement Plan but for the limitations imposed by Sections 415 and 401(a)(17) of the Internal Revenue Code (the "Code") and (ii) to transfer into the ITT Excess Pension Plan IIB (as the successor plan) all liabilities not attributable to such excess benefits. The Plan provisions effective as January 1, 2008 are substantially identical, except with respect to Plan participation, to the provisions of the ITT Excess Pension II as in effect on December 31, 2007 unless other indicated in Appendix A attached hereto.

Effective as of December 21, 2008, the Plan was amended and restated to comply with the provisions of Section 409A of the Code and the regulations promulgated thereunder.

The benefits accrued and vested under the provisions of the Plan by a Participant who terminated employment with ITT Corporation (the "Corporation") and all its Associated Companies prior to January 1, 2005 shall be subject to the provisions of the ITT Excess Pension Plan II as in effect on October 3, 2004 (attached hereto as Appendix C and made part hereof). In addition, with respect to a Participant (i) who terminated employment with the Corporation or one of its Associated Companies on or prior to December 31, 2008 or (ii) who was employed by the Company or an Associated Company on October 1, 2008 and signs and submits his acknowledge of termination to ITT HQ Compensation Department on or before December 31, 2008 formalizing his date of Termination of Employment in 2009, the portion of his benefit payable under the provisions of this Plan equal to his Grandfathered Pre-2005 Benefit (as defined herein) shall be subject to the provisions of the ITT Excess Pension Plan II as in effect on October 3,

2004 without regard to any amendments after October 3, 2004 which would constitute a material modification for Code Section 409A purposes, unless otherwise provided in Appendix A.

All benefits payable under this Plan, which is intended to constitute both an unfunded excess benefit plan under Section 3(36) of Title I of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), and a nonqualified, unfunded deferred compensation plan for a select group of management employees under Title I of ERISA, shall be paid out of the general assets of the Corporation. The Corporation may establish and fund a trust in order to aid it in providing benefits due under the Plan.

ITT EXCESS PENSION PLAN IIB
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ITT EXCESS PENSION PLAN IB

ARTICLE I. DEFINITIONS

The following terms when capitalized herein shall have the meanings assigned below.

- 1.01 **Acceleration Event** shall mean "Acceleration Event" as that term is defined under the provisions of the ITT Excess Plan II as in effect on October 3, 2004.
 - 1.02 **Annuity Starting Date** shall mean, unless the Plan expressly provides otherwise, the first day of the first period for which an amount is due as an annuity or any other form. However, if a Change in Control occurs, the Annuity Starting Date of a Participant with regard to his 409A Supplemental Benefit shall be the date such Change in Control occurs.
 - 1.03 **Associated Company** shall mean any division, subsidiary or affiliated company of the Corporation not participating in the Plan which is an Associated Company, as defined in the Retirement Plan.
 - 1.04 **Beneficiary** shall mean the person designated pursuant to the provisions of the Retirement Plan to receive benefits under said Retirement Plan after a Participant's death. In the absence of a beneficiary designation under the provisions of the Retirement Plan, the Participant's Beneficiary shall be his spouse (or Registered Domestic Partner), if any, otherwise his estate. Notwithstanding the foregoing, with respect to any survivor benefit payable pursuant to the provision of Section 2.04(c)(ii) based on the Participant's 409A Supplemental Benefit attributable to the Traditional Pension Plan ("TPP") formula (as defined in Section 4.01(b) of the Retirement Plan), in the absence of a beneficiary designation under the provisions of the Retirement Plan, the Participant's Beneficiary shall be his spouse (or Registered Domestic Partner), if any, otherwise the person or persons named as his beneficiary (or beneficiaries) under the ITT Salaried Investment and Savings Plan, if any, or if none, then the person or persons named as his beneficiary (or beneficiaries) under the Company's life insurance program. For purposes of the Plan,
-

a Registered Domestic Partner shall have the same meaning as set forth in the Retirement Plan.

- 1.05 **Board of Directors** shall mean the Board of Directors of ITT Corporation or any successor thereto.
 - 1.06 **Change in Control** shall mean "Change in Control" as such term is defined under the terms of ITT Excess Pension Plan IIA, as amended from time to time.
 - 1.07 **Code** shall mean the Internal Revenue Code of 1986, as amended from time to time.
 - 1.08 **Committee** shall mean the Benefits Administration Committee under the Retirement Plan.
 - 1.09 **Company** shall mean the Corporation with respect to its employees and any Participating Unit (as that term is defined in the Retirement Plan) authorized by the Corporation to participate in the Plan with respect to its employees.
 - 1.10 **Company Pension Plan** shall mean any tax qualified defined benefit plan other than the Retirement Plan maintained by the Company or an Associated Company.
 - 1.11 **Corporation** shall mean ITT Corporation, an Indiana corporation, (successor by merger to and formerly known as ITT Industries, Inc.), or any successor by merger, purchase or otherwise.
 - 1.12 **Deferred Compensation Program** shall mean any nonqualified deferred compensation plan maintained by the Company or an Associated Company.
 - 1.13 **Disability or Disabled** shall mean "Disability" as defined under Treasury Regs. Section 1.409A-3(i)(4)(i) and (ii) and any subsequent guidance thereto.
-

- 1.14 **Eligible Employee** shall mean a member of the Retirement Plan who is not eligible to participate in the ITT Excess Pension Plan IA or IB.
- 1.15 **ERISA** shall mean the Employee Retirement Income Security Act of 1974, as amended from time to time.
- 1.16 **Excess Benefit Portion** shall mean the portion of the Plan which is intended to constitute an unfunded excess benefit plan under Sections 3(36) and 4(b)(5) of Title I of ERISA which provides benefits not otherwise payable under the Retirement Plan due to restrictions imposed by Section 415 of the Code.
- 1.17 **Excess Plan II** shall mean the ITT Excess Plan II (formerly known as the ITT Industries Excess Pension Plan II).
- 1.18 **Grandfathered Pre-2005 Benefit** shall mean, with respect to a Participant who (i) terminated employment on or prior to December 31, 2008 or (ii) was employed by the Company or an Associated Company on October 1, 2008 and signs and submits his acknowledgement of termination to the ITT HQ Compensation Department on or before December 31, 2008 formalizing his date of Termination of Employment in 2009 the portion of such Participant's Supplemental Benefit, if any, that was accrued and vested before January 1, 2005, determined under the provisions of the Excess Plan II without regard to any amendments after October 3, 2004 which would cause a material modification for Code Section 409A purposes, the provisions of Section 409A, the regulations promulgated thereunder and other applicable guidance, adjusted for the passage of time based on actuarial equivalent assumptions and procedures established by the Committee in accordance with the provisions of Treasury Regs. 1.409A-6(a)(3)(iv).
- 1.19 **Participant** shall mean an Eligible Employee who is participating in the Plan pursuant to Section 2.01 hereof.
-

- 1.20 **Plan** shall mean the ITT Excess Pension Plan IIB, as set forth herein or as amended from time to time.
- 1.21 **Plan Year** shall mean the calendar year.
- 1.22 **Retirement Plan** shall mean the ITT Salaried Retirement Plan (formerly known as the ITT Industries Salaried Retirement Plan), as amended from time to time.
- 1.23 **Select Management Portion** shall mean the portion of the Plan, other than the Excess Benefit Portion, which is intended to constitute an unfunded deferred compensation plan for a select group of management or highly compensated employees under Title I of ERISA.
- 1.24 **Specified Employee** shall mean a "specified employee" as such term is defined in the ITT Excess Pension Plan IIA.
- 1.25 **Supplemental Benefit** shall mean the monthly benefit payable to a Participant as determined under Section 2.02.
- 1.26 **409A Supplemental Benefit** shall mean the portion of a Participant's Supplemental Benefit, if any, in excess of his Grandfathered Pre-2005 Benefit.
- 1.27 **Termination of Employment** shall mean a "Separation from Service" as such term is defined in the ITT Excess Pension Plan IIA.
-

ARTICLE II. PARTICIPATION; AMOUNT AND PAYMENT OF BENEFITS

2.01 Participation

- (a) Each individual who is (i) an Eligible Employee on January 1, 2008 (ii) a participant in the Excess Plan II on December 31, 2007 and (ii) whose annual retirement allowance or vested benefit under the Retirement Plan is reduced as a result of
 - (i) deferrals of Compensation under a Deferred Compensation Program; or
 - (ii) such other restrictions imposed by the Board of Directors with respect to the determination of a Participant's retirement allowance or vested benefit under the Retirement Plan shall, subject to the provisions of paragraph (d) below, become a Participant of this Plan on January 1, 2008.
 - (b) Effective on and after January 1, 2008, each other Eligible Employee whose annual retirement allowance or vested benefit under the Retirement Plan is reduced as a result of
 - (i) deferrals of Compensation under a Deferred Compensation Program; or
 - (ii) such other restrictions imposed by the Board of Directors with respect to the determination of a Participant's retirement allowance or vested benefit under the Retirement Plan, shall be a Participant.
 - (c) A former Eligible Employee who was a Participant in the ITT Select Management Portion of the Excess Plan II receiving or entitled to receive benefit payments thereunder as of December 31, 2007, including those persons receiving benefit payments made pursuant to the provisions of the Enhanced Retirement Program which were restricted from payment under the Retirement Plan, shall, subject to the provisions of paragraph (d) below, become a Participant on January 1, 2008.
-

- (d) A Participant's participation in the Plan shall terminate upon the Participant's death or other Termination of Employment with the Company and all Associated Companies, unless a benefit is payable under the Plan with respect to the Participant or his Beneficiary under the provisions of this Article II.

2.02 Amount of Supplemental Benefits

- (a) A Participant's Supplemental Benefit under this Article II shall be equal to the excess, if any, of (i) over (ii) as determined below:

- (i) the monthly retirement allowance or vested benefit determined as of such Participant's Termination of Employment which would have been payable to the Participant under Section 4.02, 4.03, 4.04, 4.05 or 4.06 of the Retirement Plan, whichever is applicable, assuming such benefit commences on the date set forth in Section 2.04(a)(i), (ii) or (iv), whichever is applicable, and
- (1) prior to the application of any offset required pursuant to Section 4.10 or to an applicable Appendix of the Retirement Plan with regard to benefits payable under any other Company Pension Plan;
 - (2) without regard to the provisions contained in Section 415 of the Code relating to the maximum limitation on benefits, as incorporated into the Retirement Plan;
 - (3) without regard to the annual limitation on Compensation contained in Section 401(a)(17) of the Code, as incorporated into the Retirement Plan; and
 - (4) without regard to deferrals of Compensation made pursuant to a Deferred Compensation program.

over

- (ii) the monthly retirement allowance or vested benefit which would have been payable for the Participant's lifetime under Section 4.02, 4.03, 4.04, 4.05 or 4.06 of the Retirement Plan, whichever is applicable, assuming such benefit commences on the date set forth in Section 2.04(a)(i), (ii) or (iv), whichever is applicable, and determined
-

- (1) prior to the application of any offset required pursuant to Section 4.10 or an applicable Appendix of the Retirement Plan with regard to benefits payable under any other Company Pension Plan;
- (2) without regard to the provisions contained in Section 415 of the Code relating to maximum limitation benefits, as incorporated into the Retirement Plan; and
- (3) without regard to the annual limitation on Compensation contained in Section 401(a)(17) of the Code, as incorporated into the Retirement Plan.

2.03 Vesting

- (a) A Participant shall be vested in, and have a nonforfeitable right to, the benefit payable under this Article II to the same extent as the Participant is vested in his Accrued Benefit (as that term is defined in the Retirement Plan) under the provisions of the Retirement Plan.
- (b) Notwithstanding any provision of this Plan to the contrary, in the event of an Acceleration Event, all Participants and their Beneficiaries shall become fully vested in the benefits provided under this Plan.

2.04 Payment of Benefits**(a) Timing of Payment**

- (i) Subject to the provisions of clause (iii) below, the portion of any Participant's 409A Supplemental Benefit payable under Section 2.02 attributable to the TPP formula (as defined in Section 4.01(b) of the Retirement Plan), to the extent vested pursuant to Section 2.03, shall commence as of the first day of the month following (1) the Participant's Termination of Employment or (2) if the Participant is not age 50 on such date of Termination of Employment and his age and service as of such date does not equal 80 or more, the Participant's attainment of age 55, if later.
-

- (ii) Notwithstanding the foregoing provisions of clause (i) above and subject to the provisions of clause (iii) below, the portion of any Participant's 409A Supplemental Benefit payable under Section 2.02 attributable to the Pension Equity Plan (PEP) formula (as defined in Section 4.01(c) of the Retirement Plan), to the extent vested pursuant to Section 2.03, shall commence as of the first day of the month following the Participant's Termination of Employment.
 - (iii) Notwithstanding the foregoing, if a Participant is classified as a "Specified Employee" on his date of Termination of Employment, the actual payment of a 409A Supplemental Benefit payable under Section 2.02 on account of such Participant's Termination of Employment for reasons other than death or Disability shall not commence prior to the first day of the seventh month following the Participant's Termination of Employment. Any payment due the Participant which he would have otherwise received under Section 2.02 during the six month period immediately following such Participant's Termination of Employment shall be accumulated, with interest, at the IRS Interest Rate (as defined in the Retirement Plan) in accordance with procedures established by the Committee. For the avoidance of doubt, the provisions of this clause (iii) shall not apply to a 409A Supplemental Benefit payable under (1) Section 2.04(c) due to the death of the Participant or (2) Section 2.04(d) due to the Participant's Disability.
 - (iv) Notwithstanding the foregoing, in the event a Participant who incurred a Termination of Employment prior to January 1, 2009 has not commence payment of his 409A Supplemental Benefit as of April 1, 2009 (January 1, 2009 with respect to Participants listed in Appendix B), such Participant's 409A Supplemental Benefit shall commence as of January 1, 2009 or, if later, the date specified in clause (i), (ii) or (iii) above, whichever is applicable.
-

- (v) A Participant's Grandfathered Pre-2005 Benefit shall commence in accordance with the provisions of the Excess Plan II as in effect on October 3, 2004, modified as set forth in Appendix A and without regard to any amendments after October 3, 2004 which would constitute a material modification for Code Section 409A purposes.

(b) Form of Benefit

- (i) Notwithstanding any provisions of the Plan to the contrary, the portion of the Participant's 409A Supplemental Benefit determined under Section 2.02 attributable to the TPP formula (as defined in Section 4.01(b) of the Retirement Plan) shall be paid in the same form as the Participant's supplemental benefit determined under the provisions of the ITT Excess Pension Plan IIA attributable to the TPP formula (as defined in Section 4.01(b) of the Retirement Plan), if any, is paid. However, if the Participant is not entitled to a supplemental benefit under the provisions of the ITT Excess Pension IIA attributable to the TPP formula, then unless the Participant has a valid election under clause (ii) below in effect, the portion of the Participant's 409A Supplemental Benefit determined under Section 2.02 attributable to the TPP formula (as defined in Section 4.01(b) of the Retirement Plan) shall be paid in the form of a single life annuity for the life of the Participant, if the Participant is not married on his Annuity Starting Date, or in the form of 50% joint & survivor annuity, if the Participant is married (or has a Registered Domestic Partner) on his Annuity Starting Date.
- (ii) Subject to the provisions of clause (iii) below, a Participant who is not entitled to a supplement benefit under the provisions of the ITT Excess Pension Plan IIA attributable to the TPP formula (as defined in Section 4.01(b) of the Retirement Plan) may elect to convert his 409A Supplemental Benefit payable under Section 2.02 attributable to the TPP formula (as defined in Section 4.01(b) of the Retirement Plan) into an optional annuity of equivalent actuarial value available to that Participant under the provisions of Section
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4.07(b) of the Retirement Plan as of his Annuity Starting Date, provided said optional annuity satisfies the definition of "life annuity" as provided in Treasury Regs. 1.409A-(2)(b)(2)(ii) and any further guidance thereto. Such equivalent actuarial value shall be based on the applicable factors set forth in Appendix A of the Retirement Plan.

- (iii) Notwithstanding the foregoing and subject to the provisions of Section 409A of the Code, a Participant's election to receive his 409A Supplemental Benefit attributable to the TPP formula (as defined in Section 4.01(b) of the Retirement Plan) in an optional annuity form of payment as described in clause (ii) above shall be effective as of the Participant's Annuity Starting Date applicable to that portion of his 409A Supplemental Benefit, provided the Participant makes and submits to the Committee in the manner prescribed by the Committee, his election of such optional annuity form prior to such applicable Annuity Starting Date. A Participant who fails to elect an optional annuity form of benefit applicable to the TPP formula portion of his 409A Supplemental Benefit in a timely manner shall receive such benefit in accordance with the provisions of clause (i) above,
 - (iv) Notwithstanding the foregoing provisions of this Section 2.04(b), the portion of a Participant's 409A Supplemental Benefit payable under Section 2.02 attributable to the PEP formula (as defined in Section 4.01(c) of the Retirement Plan) shall be payable in the form of a single lump sum payment. Such lump sum payment shall be calculated on the same basis as provided in Section 4.07(b)(v) of the Retirement Plan using the IRS Mortality Table and IRS Interest Rate (as defined in the Retirement Plan).
 - (v) The portion of the Participant's Grandfathered Pre-2005 Benefit payable under Section 2.02 attributable to the TPP formula (as defined in Section 4.01(b) of the Retirement Plan) shall commence and the form of payment of such benefit shall be determined in accordance with the provisions of the
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Excess Plan II as in effect on October 3, 2004, modified as set forth in Appendix A and without regard to any amendments after that date which would constitute a material modification for Code Section 409A purposes. The portion of the Participant's Grandfathered Pre-2005 Benefit payable under Section 2.02 attributable to the PEP formula (as defined in Section 4.01(c) of the Retirement Plan) shall be payable in accordance with the provisions of the Excess Plan II as in effect on October 3, 2004, modified as set forth in Appendix A and without regard to any amendments after October 3, 2004 which would constitute a material modification for Code Section 409A purposes.

(c) Death Prior to a Participant's Annuity Starting Date

- (i) If a Participant entitled to a vested benefit under the Retirement Plan dies (1) before meeting the eligibility requirements for an Automatic Pre-Retirement Survivor's Benefit under Section 4.08(b) of the Retirement Plan and while in active service with the Company or any Associated Company or while Disabled but before his Annuity Starting Date, or (2) after Termination of Employment with entitlement to a vested benefit hereunder but prior to his Annuity Starting Date, the Participant's spouse (or Registered Domestic Partner) shall receive a monthly payment for life equal to the monthly income which would have been payable to such spouse (or Registered Domestic Partner) under Section 4.08(a) of the Retirement Plan based on the hypothetical benefit attributable to his Supplemental Benefit as calculated under Section 2.02 hereof assuming payments commence as of the first day of the month following the Participant's date of death, or attainment of age 55, if later. The portion of such survivor benefit attributable to the Participant's 409A Supplemental Benefit shall commence as of the first day of the month following the later of the Participant's date of death or the Participant's attainment of age 55 (or in the event clause (iii) is applicable, the date specified in clause (iii)). Notwithstanding the foregoing, the portion of any benefit payable under this clause (i) attributable to the PEP formula portion
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(as defined in Section 4.01(c) of the Retirement Plan) of the benefit which would have been payable to the spouse (or Registered Domestic Partner) based on the hypothetical 409A Supplemental Benefit as calculated under Section 2.02 shall be determined assuming that portion of the survivor benefit commences as of the first day of the month following the Participant's date of death (or the date specified in clause (iii), if later) and such benefit shall be payable in the form of a single lump sum payment as of the first day of the month following the Participant's date of death. This lump sum payment shall be calculated on the same basis as provided in Section 4.08(a)(iii) of the Retirement Plan using the IRS Mortality Table and IRS Interest Rate (as defined in the Retirement Plan). Notwithstanding any Plan provision to the contrary, the portion of any survivor benefit payable under this clause (i) attributable to the Participant's Grandfathered Pre-2005 Benefit shall be payable in accordance with the provisions of the Excess Plan II as in effect on October 3, 2004, modified as set forth in Appendix A, and without regard to any amendments after October 3, 2004 which would constitute a material modification for Code Section 409A purposes.

- (ii) In the event a Participant who has satisfied the eligibility requirements for the Automatic Pre-Retirement Survivor's Benefit under Section 4.08(b) of the Retirement Plan, dies (1) while in active service with the Company or any Associated Company or (2) after his Termination of Employment or the date he becomes Disabled, if earlier, but prior to his Annuity Starting Date, the Participant's Beneficiary, if any, shall receive a monthly payment for the life of the Beneficiary equal to the monthly income which would have been payable to such Beneficiary under Section 4.08(b) of the Retirement Plan based on the hypothetical retirement benefit attributable to his Supplemental Benefit as calculated under Section 2.02 hereof assuming payments commence on the first day of the month following the Participant's death (or the date specified in clause (iii), if later). Notwithstanding the foregoing, the portion of any benefit payable under this clause (ii) attributable to the PEP
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formula portion (as defined in Section 4.01(c) of the Retirement Plan) of the benefit which would have been payable to the Beneficiary based on the hypothetical 409A Supplemental Benefit as calculated under Section 2.02 shall be payable in the form of a single lump sum payment. This lump sum payment shall be calculated on the same basis as provided in Section 4.08(b)(iii) of the Retirement Plan using the IRS Mortality Table and IRS Interest Rate (as defined in the Retirement Plan). The portion of any benefit payable under this clause (ii) attributable to a Participant's 409A Supplemental Benefit as calculated under Section 2.02 hereof shall commence on the first day of the month following the Participant's death.

The portion of such survivor benefit payable under this clause (ii) of paragraph (c) attributable to the Participant's Grandfathered Pre-2005 Benefit shall be paid in accordance with the provisions of the Excess Plan II as in effect on October 3, 2004, modified as set forth in Appendix A, and without regard to any amendments after October 3, 2004 which would constitute a material modification for Code Section 409A purposes.

- (iii) Notwithstanding the foregoing, in the event the survivor benefit payable under this Section 2.04(c) to the spouse or Beneficiary of a Participant who died prior to January 1, 2009 has not commenced as of January 1, 2009, such survivor benefit shall commence as of January 1, 2009 or, if later, the date specified in clauses (i) or (ii) above, whichever is applicable.

(d) Disability prior to Termination of Employment

- (i) Notwithstanding any Plan provision to the contrary, in the event a Participant becomes Disabled prior to his Termination of Employment, he shall be entitled to a Disability Supplemental Benefit equal to the amount determined under the provisions of Section 2.02(a) based on his years of Benefit Service (as such term is defined in the Retirement Plan) accrued to the date he came Disabled plus the years of Benefit Service (as such term is defined in the
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Retirement Plan) the Participant accrues under the terms of the Retirement Plan after the date he becomes Disabled and prior to his attainment of age 65.

- (ii) The portion of the Disability Supplemental Benefit determined under the provisions of clause (i) in excess of the Participant's Grandfathered Pre-2005 Benefit shall be paid in accordance with the provisions of paragraph (b) above and payments shall commence on the first day of the month following the month in which the Participant attains age 65.
- (iii) Notwithstanding the foregoing, the portion of the Disability Supplemental Benefit attributable to the Participant's Grandfathered Pre-2005 Benefit shall be paid in accordance with the provisions of the Excess Plan II as in effect on October 3, 2004, modified as set forth in Appendix A, and without regard to any amendments after October 3, 2004 which would constitute a material modification for Code Section 409A purposes.

2.05 Payment upon the Occurrence of a Change in Control

Upon the occurrence of a Change in Control, (i) all retired Participants then receiving or then entitled to receive a 409A Supplemental Benefit under the Plan, (ii) all former Participants then receiving or then entitled to receive a 409A Supplemental Benefit hereunder, and (iii) all Participants who are then still in active service shall automatically receive, in a single lump sum payment, the 409A Supplemental Benefit remaining due as of the Change in Control to any such retired or former Participant or the benefit, if any, accrued by such active Participant up to the Change in Control event and as determined under Section 2.02 hereof. The amount of such lump sum payment attributable to the PEP formula portion (as defined in Section 4.01(c) of the Retirement Plan) of the Participant's 409A Supplemental Benefit payable under this Plan not in payment status as of the occurrence of a Change in Control event shall be calculated on the same basis as provided in Section 4.07(b)(v) of the Retirement Plan using the IRS Mortality Table and IRS Interest Rate (as defined in the Retirement Plan) determined as if the date the Change in Control event occurs is the Participant's Annuity Starting Date. The amount of the

lump sum payment attributable to the TPP formula portion of the Participant's 409A Supplemental Benefit payable under this Plan shall be calculated on an actuarial equivalent basis using (i) the interest rate assumption used by the PBGC for valuing benefits for single employer plans as published by the PBGC for the month in which such Change in Control event occurs and (ii) the mortality table utilized as of the day immediately preceding the date the Change in Control event occurs under the provisions of the Retirement Plan to calculate the amount of a small lump sum cashout. The interest rate for immediate annuities will be used, if the Participant has met the eligibility requirements to retire under the Retirement Plan with an early, normal or postponed retirement allowance as of the Change in Control or is then in receipt of monthly payments under this Plan, otherwise the Plan shall use the interest rate assumption for deferred annuities to the earliest date the Participant could have commenced payment of such benefit or, if it results in a larger lump sum, his Normal Retirement Date (as defined under the Retirement Plan) If the Participant is not in receipt of his monthly 409A Supplemental Benefit payments under this Plan as of the Change in Control, the calculation of a lump sum payment hereunder of the portion of the Participant's accrued benefit payable under this Plan attributable to the TPP formula portion (as defined under Section 4.01(b) of the Retirement Plan) shall be based on the Participant's 409A Supplemental Benefit payable under Section 2.02 attributable to such TPP formula as if it were paid in the form of a single life annuity to the Participant commencing on the Participant's Annuity Starting Date; provided, however, if the Participant has not met the eligibility requirements to retire under the Retirement Plan with an early, normal or postponed retirement allowance, the calculation of such lump sum payment shall be based on the Participant's accrued 409A Supplemental Benefit payable under Section 2.02 attributable to such TPP formula as if it were paid in the form of a single life annuity to the Participant commencing on the earliest date he could have commenced payment of such benefit. In no event, however, shall the lump sum payment determined under the preceding sentence be less than the lump sum payment based on the Participant's accrued 409 Supplemental Benefit payable under Section 2.02 attributable to such TPP formula as if it were paid in the form of a single life annuity to the Participant commencing on his Normal Retirement Date. The calculation of a lump sum payment hereunder shall be

made on the basis of the Participant's age (and Beneficiary's age, if applicable) at the Change in Control and without regard to the possibility of any future changes after the Change in Control in the amount of benefits payable hereunder because of future changes in the limitations referred to in Section 2.02. The lump sum payment shall be made within ninety (90) days of the date the Change in Control event occurs. In the event the Participant dies after such Change in Control event occurs but before receiving such payment, the lump sum payment shall be made to his Beneficiary. This lump sum payment represents a complete settlement of all benefits on the Participant's behalf under the Plan.

For avoidance of doubt, upon the occurrence of an Acceleration Event, (either prior, after or simultaneously with the occurrence of a Change of Control) the provisions of Section 2.05 of the Excess Plan II as in effect on October 3, 2004 without regard to any amendments after October 3, 2004 which would constitute a material modification for Code Section 409A purposes shall be applicable to a Participant's Grandfathered Pre-2005 Benefit.

2.06 Reemployment of Former Participant or Retired Participant

If a Participant who retired or otherwise terminated employment with the Company and all Associated Companies is reemployed as an employee by the Company or an Associated Company, such reemployment shall have no impact on the payment or timing of payment of any 409A Supplement Benefits earned prior to reemployment.

ARTICLE III. GENERAL PROVISIONS**3.01 Funding**

- (a) All amounts payable in accordance with this Plan shall constitute a general unsecured obligation of the Corporation. Such amounts, as well as any administrative costs relating to the Plan, shall be paid out of the general assets of the Corporation, to the extent not paid from the assets of any trust established pursuant to paragraph (b) below.
- (b) The Corporation may, for administrative reasons, establish a grantor trust for the benefit of Participants in the Plan. The assets placed in said trust shall be held separate and apart from other Corporation funds and shall be used exclusively for the purposes set forth in the Plan and the applicable trust agreement, subject to the following conditions:
 - (i) the creation of said trust shall not cause the Plan to be other than “unfunded” for purposes of Title I of ERISA;
 - (ii) the Corporation shall be treated as “grantor” of said trust for purposes of Section 677 of the Code; and
 - (iii) the agreement of said trust shall provide that its assets may be used upon the insolvency or bankruptcy of the Corporation to satisfy claims of the Company’s general creditors and that the rights of such general creditors are enforceable by them under federal and state law.
- (c) To the extent that any person acquires a right to receive payments under the Plan, such right shall be no greater than the right of any unsecured creditor of the Corporation.

3.02 Duration of Benefits

Benefits shall accrue under the Plan on behalf of a Participant only for so long as the deferrals of compensation under a Deferred Compensation Program or other restrictions referred to in Section 2.02 reduce such benefits.

3.03 Discontinuance and Amendment

The Board of Directors reserves the right to modify, amend, or discontinue in whole or in part, benefit accruals under the Plan at any time. However, no modification, amendment, or discontinuance shall adversely affect the right of any Participant to receive the benefits accrued as of the date of such modification, amendment or discontinuance and after the occurrence of an Acceleration Event, no modification or amendment shall be made to Sections 2.03 or 2.05. Notwithstanding the foregoing, following any amendment and except as provided in Article II with respect to lump sum payments hereunder, benefits may be adjusted as required to take into account the amount of benefits payable under the Retirement Plan after the application of the limitations referred to in Section 2.02.

3.04 Termination of Plan

The Board of Directors reserves the right to terminate the Plan at any time, provided, however, that no termination shall be effective retroactively. As of the effective date of termination of the Plan,

- (a) the benefits of any Participant or Beneficiary whose benefit payments have commenced shall continue to be paid, but only to the extent such benefits are not otherwise payable under the Retirement Plan because of the limitations referred to in Section 2.02, and
- (b) no further benefits shall accrue on behalf of any Participant whose benefits have not commenced, and such Participant and his Beneficiary shall retain the right to benefits hereunder; provided that, on or after the effective date of termination,
 - (i) the Participant is vested under the Retirement Plan and
 - (ii) such benefits are not at any time otherwise payable under the Retirement Plan because of the limitations imposed by IRC Section 415 or Section 401(a)(17).

All other provisions of this Plan shall remain in effect.

3.05 Plan Not a Contract of Employment

This Plan is not a contract of employment, and the terms of employment of any Participant shall not be affected in any way by this Plan or related instruments, except as specifically provided therein. The establishment of this Plan shall not be construed as conferring any legal rights upon any person for a continuation of employment, nor shall it interfere with the rights of the Corporation to discharge any person and to treat him without regard to the effect which such treatment might have upon him under this Plan. Each Participant and all persons who may have or claim any right by reason of his participation shall be bound by the terms of this Plan and all agreements entered into pursuant thereto.

3.06 Facility of Payment

In the event that the Committee shall find that a Participant is unable to care for his affairs because of illness or accident or is a minor or has died, the Committee may, unless claim shall have been made therefore by a duly appointed legal representative, direct that any benefit payment due him, to the extent not payable from a grantor trust, be paid on his behalf to his spouse, a child, a parent or other blood relative, or to a person with whom he resides, and any such payment so made shall be a complete discharge of the liabilities of the Corporation and the Plan therefore.

3.07 Withholding Taxes

The Company and an Associated Company shall have the right to deduct from each payment to be made under the Plan any required withholding taxes.

3.08 Nonalienation

Subject to any applicable law, no benefit under the Plan shall be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance or charge, and any attempt to do so shall be void, nor shall any such benefit be in any manner liable for or subject to garnishment, attachment, execution or levy, or liable for or subject to the debts, contracts, liabilities, engagements or torts of the person entitled to such benefits.

3.09 Forfeiture for Cause

In the event that a Participant shall at any time be convicted of a crime involving dishonesty or fraud on the part of such Participant in his relationship with the Company or an Associated Company, all benefits that would otherwise be payable to him or to a Beneficiary under the Plan shall be forfeited.

3.10 Transfers

- (a) Notwithstanding any Plan provision to the contrary, in the event the Corporation (i) sells, causes the sale of, or sold the stock or assets of any employing company in the controlled group of the Corporation to a third party or (ii) distributes or distributed to the holders of shares of the Corporation's common stock all of the outstanding shares of common stock of a subsidiary or subsidiaries of the Corporation, and, as a result of such sale or distribution, such company (or subsidiary) or its employees are no longer eligible to participate hereunder, the liabilities with respect to the benefits accrued under this Plan for a Participant who, as a result of such sale or distribution, is no longer eligible to participate in this Plan, shall, at the discretion and direction of the Corporation (and approval by the new employer), be transferred to a similar plan of such new employer and become a liability thereunder. Upon such transfer (and acceptance thereof by such new employer) the liabilities for such transferred benefits shall become the obligation of the new employer and the liability under this Plan for such benefits shall then cease.
- (b) Notwithstanding any Plan provision to the contrary, at the discretion and direction of the Corporation, liabilities with respect to benefits accrued by a Participant under a plan maintained by such Participant's former employer may be transferred to this Plan and upon such transfer shall become the obligation of the Corporation.

3.11 Acceleration of or Delay in Payments

The Committee, in its sole and absolute discretion, may elect to accelerate the time or form of payment of a benefit owed to the Participant hereunder, provided such acceleration is permitted under Treasury Regs. Section 1.409A-3(j)(4). The Committee

may also, in its sole and absolute discretion, delay the time for payment of a benefit owed to the Participant hereunder, to the extent permitted under Treasury Regs. Section 1.409A-2(b)(7).

3.12 Indemnification.

The Company, the members of the Committee, and the officers, employees and agents of the Company shall, unless prohibited by any applicable law, be indemnified against any and all liabilities arising by reason of any act or failure to act in relation to the Plan including, without limitation, expenses reasonably incurred in the defense of any claim relating to the Plan, amounts paid in any compromise or settlement relating to the Plan and any civil penalty or excise tax imposed by any applicable statute, if

- (a) the act or failure to act shall have occurred
 - (i) in the course of the person's service as an officer, employee or agent of the Company or as a member of the Committee, or as the Plan Administrator, or
 - (ii) in connection with a service provided with or without charge to the Plan or; to the Participants or Beneficiaries of the Plan, if such service was requested by the Committee or the Plan Administrator; and
- (b) the act or failure to act is in good faith and in, or not opposed to, the best interests of the Corporation.

This determination shall be made by the Corporation and, if such determination is made in good faith and not arbitrarily or capriciously, shall be conclusive.

The foregoing indemnification shall be from the assets of the Corporation. However, the Corporation's obligation hereunder shall be offset to the extent of any otherwise applicable insurance coverage under a policy maintained by the Corporation or any other person, or other source of indemnification.

3.13 Claims Procedure**(a) Submission of Claims**

Claims for benefits under the Plan shall be submitted in writing to the Committee or to an individual designated by the Committee for this purpose.

(b) Denial of Claim

If any claim for benefits is wholly or partially denied, the claimant shall be given written notice within 90 days following the date on which the claim is filed, which notice shall set forth

- (i) the specific reason or reasons for the denial;
- (ii) specific reference to pertinent Plan provisions on which the denial is based;
- (iii) a description of any additional material or information necessary for the claimant to perfect the claim and an explanation of why such material or information is necessary; and
- (iv) an explanation of the Plan's claim review procedure, including information as to the steps to be taken if the claimant wishes to submit the claim for review and the time limits for requesting a review.

If special circumstances require an extension of time for processing the claim, written notice of an extension shall be furnished to the claimant prior to the end of the initial period of 90 days following the date on which the claim is filed. Such an extension may not exceed a period of 90 days beyond the end of said initial period.

If the claim has not been granted and written notice of the denial of the claim is not furnished within 90 days following the date on which the claim is filed, the claim shall be deemed denied for the purpose of proceeding to the claim review procedure.

(c) Claim Review Procedure

The claimant or his authorized representative shall have 60 days after receipt of written notification of denial of a claim to request a review of the denial by making

written request to the Committee, and may review pertinent documents and submit issues and comments in writing within such 60-day period.

Not later than 60 days after receipt of the request for review, the persons designated by the Company to hear such appeals (the "Appeals Committee") shall render and furnish to the claimant a written decision, which shall include specific reasons for the decision and shall make specific references to pertinent Plan provisions on which it is based. If special circumstances require an extension of time for processing, the decision shall be rendered as soon as possible, but not later than 120 days after receipt of the request for review, provided that written notice and explanation of the delay are given to the claimant prior to commencement of the extension. Such decision by an Appeals Committee shall not be subject to further review. If a decision on review is not furnished to a claimant within the specified time period, the claim shall be deemed to have been denied on review.

(d) Exhaustion of Remedy

No claimant shall institute any action or proceeding in any state or federal court of law or equity or before any administrative tribunal or arbitrator for a claim for benefits under the Plan until the claimant has first exhausted the procedures set forth in this section.

3.14 Construction

- (a) The Plan is intended to constitute both an excess benefit arrangement and an unfunded deferred compensation arrangement maintained for a select group of management or highly compensated employees within the meaning of Sections 201(2), 301(a)(3), and 401(a)(1) of ERISA, and all rights under this Plan shall be governed by ERISA. Subject to the preceding sentence, the Plan shall be construed, regulated and administered under the laws of the State of New York, to the extent such laws are not superseded by applicable federal law.
 - (b) The masculine pronoun shall mean the feminine wherever appropriate.
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- (c) The illegality of any particular provision of this document shall not affect the other provisions and the document shall be construed in all respects as if such invalid provision were omitted.
 - (d) The headings and subheadings in the Plan have been inserted for convenience of reference only, and are to be ignored in any construction of the provisions thereof.
 - (e) The Plan shall be construed, regulated and administered in accordance with the laws of the State of New York, subject to the provisions of applicable federal laws
-

ARTICLE IV. PLAN ADMINISTRATION**4.01 Responsibility for Benefit Determination**

The benefit of a Participant or Beneficiary under this Plan shall be determined either by the Committee, as provided in Section 4.02 below, or such other party as is authorized under the terms of any grantor trust.

4.02 Duties of Committee

The Committee shall calculate, in accordance with Article II, the benefit of each Participant or Beneficiary under the Plan. To the extent a Participant's, spouse's or Beneficiary's benefit are payable from the Plan, the Committee shall have full discretionary authority to resolve any question which shall arise under the Plan as to any person's eligibility for benefits, the calculation of benefits, the form, commencement date, frequency, duration of payment, or the identity of the Beneficiary. Such question shall be resolved by the Committee under rules uniformly applicable to all person(s) or employee(s) similarly situated. It is the intent of the Corporation that the provisions of the Plan comply with the provisions of Section 409A of the Code, any regulations and other guidance promulgated with respect thereto and the provisions of the Plan shall be interpreted to be consistent therewith.

4.03 Procedure for Payment of Benefits Under the Plan

With respect to any benefit to which a Participant or Beneficiary is entitled under this Plan to pay benefits under the Plan, the Committee (i) shall direct the commencement of benefit payments hereunder in accordance with the applicable procedures established by the Corporation, the Company and/or the Committee regarding the disbursement of amounts from the general funds of the Corporation and (ii) shall arrange, in conjunction with any other applicable excess benefit plan, for the payment of benefits under this Plan and/or any other applicable excess benefit plan.

4.04 Compliance

With respect to benefits hereunder subject to Code Section 409A, the Plan is intended to comply with the requirements of Code Section 409A and the provisions hereof shall be interpreted in a manner that satisfies the requirements of Code Section 409A and the regulations thereunder, and the Plan shall be operated accordingly. If any provision of the Plan would otherwise frustrate or conflict with this intent, the provision will be interpreted and deemed amended so as to avoid this conflict. The Plan has been administered in good faith compliance with Section 409A and the guidance issued thereunder from January 1, 2005 through December 31, 2008.

APPENDIX A**Provisions Applicable to a Participant's Grandfathered Pre-2005 Supplemental Benefit**

This Appendix A constitutes an integral part of the Plan and is applicable with respect to the Grandfathered Pre-2005 Benefit of those individuals who were participants in the Excess Plan II on December 31, 2004. The portion of a Participant's Benefit determined under the provisions of Section 2.02 and Section 2.04(d) of the foregoing provisions of the Plan equal to his Grandfathered Pre-2005 Benefit is subject to the provisions of the Excess Plan II as in effect on October 3, 2004, modified as set forth in this Appendix A and without regard to any Plan amendments after October 3, 2004 which would constitute a material modification for Code Section 409A purposes. Section references in this Appendix A correspond to appropriate Sections of the said Plan as in effect on October 3, 2004 as set forth in Appendix C.

Article II — Participation Amount and Payment of Benefits

For purposes of Article II, the terms/phrases "termination of employment," "terminates employment," "retirement", "employment is terminated" or other similar language shall mean, with respect to a Participant, the complete cessation of providing services to the Company and all Associated Companies an employee.

Section 2.04 Payment of Benefits**(b) Retirement or Termination of Employment Effective on or After January 1, 1996**

- (i) Following a Participant's retirement or termination of employment with the Company and all Associated Companies other than by reason of death, a Participant shall receive his Grandfathered Pre-2005 Benefit in the same form and at the same time as the Participant receives his corresponding retirement allowance or vested benefit under the Retirement Plan, except as otherwise provided below.
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If a Participant becomes Disabled (as defined in Article I of the foregoing provisions of the Plan) prior to his Termination of Employment, the portion of his Disability Supplemental Benefit equal to his Grandfathered Pre-2005 Benefit shall be paid at the same time and in the same form as the Retirement Plan benefit is paid.

- (ii) Notwithstanding the foregoing provisions of clause (i) above, the portion of his Grandfathered Pre-2005 Benefit attributable to the PEP formula (as defined in Section 4.01(c) of the Retirement Plan) shall be payable in the form of a lump sum payment and effective as of January 1, 2008, the Participant's right to convert such PEP formula portion of his Grandfathered Pre-2005 Benefit into a form of life annuity is eliminated.
- (c) **Death Prior to a Participant's Annuity Starting Date**
- (i) The portion of the death benefit determined under Section 2.04(c)(i) of the foregoing provisions of this Plan attributable to a Participant's Grandfathered Pre-2005 Benefit payable to a Participant's spouse (or Registered Domestic Partner) shall be paid in the same form and at the same time said spouse (or Registered Domestic Partner) receives payment under the Automatic Vested Spouse Benefit of the Retirement Plan. Notwithstanding the foregoing, effective on and after January 1, 2008, the portion of any benefit payable under this clause (i) attributable to the PEP formula (as defined in Section 4.01(c) of the Retirement Plan) based on his Grandfathered Pre-2005 Benefit shall be payable in a single lump sum payment and effective as of January 1, 2008, the spouse's (or Registered Domestic Partner's) right to convert such PEP formula portion of his Grandfathered Pre-2005 Benefit into a form of life annuity is eliminated.
 - (ii) The portion of the death benefit determined under Section 2.04(c)(ii) of the foregoing provisions of the Plan attributable to a Participant's Grandfathered Pre-2005 Benefit shall be payable to the Participant's Beneficiary at the same
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time said Beneficiary would have received a Pre-Retirement Survivor's Benefit under Section 4.08(b) of the Retirement Plan, provided, however, the portion of such survivor benefit attributable to the PEP formula (as defined under Section 4.01(c) of the Retirement Plan) shall be paid in a single lump sum payment and effective as of January 1, 2008, the Beneficiary's right to convert such PEP formula portion of his Grandfathered Pre-2005 Benefit into a form of life annuity is eliminated.

Section 2.05 Payment upon the Occurrence of an Acceleration Event

In the event an Acceleration Event occurs, regardless of whether or not such event satisfies the definition of a Change in Control event as defined in the foregoing provisions of this Plan, the provisions of this Section 2.05 shall apply to the Participant's Grandfathered Pre-2005 Benefit.

APPENDIX B

Name

James Crumley, Jr.

James Faughnan

John Krochmal

Ralph Meoni

Louis Dollive

Sean Osborne

Calvin Gorrel

Randolph Lopez

Melvin Hershey

Frank Koester

APPENDIX C

Provisions of the ITT Excess Pension Plan II as in effect on October 3, 2004

This Appendix C constitutes a part of this Plan and contains the provisions of the predecessor Plan (Excess Plan II) as in effect on October 3, 2004.

EXHIBIT 12**CALCULATION OF RATIO OF EARNINGS TO TOTAL FIXED CHARGES
AND CALCULATION OF EARNINGS TO TOTAL FIXED CHARGES AND
PREFERRED DIVIDEND REQUIREMENTS**

(IN MILLIONS)

YEAR ENDED DECEMBER 31

	2008	2007	2006	2005	2004
Earnings:					
Income from continuing operations	\$ 775.2	\$ 633.0	\$ 499.7	\$ 528.8	\$ 408.2
Add (deduct):					
Adjustment for distributions in excess of (less than) undistributed equity earnings and losses ^(a)	1.2	2.1	1.0	0.8	(0.4)
Income tax expense	312.3	265.5	227.6	144.7	154.8
	1,088.7	900.6	728.3	674.3	562.6
Fixed Charges:					
Interest and other financial charges	140.8	114.9	86.2	75.0	50.4
Interest factor attributable to rentals ^(b)	44.4	33.1	28.3	28.9	26.8
	185.2	148.0	114.5	103.9	77.2
Earnings, as adjusted, from continuing operations	\$ 903.5	\$ 752.6	\$ 613.8	\$ 570.4	\$ 485.4
Fixed Charges:					
Fixed charges above	\$ 185.2	\$ 148.0	\$ 114.5	\$ 103.9	\$ 77.2
Interest capitalized	—	—	—	—	—
Total fixed charges	185.2	148.0	114.5	103.9	77.2
Dividends on preferred stock (pre-income tax basis)	—	—	—	—	—
Total fixed charges and preferred dividend requirements	\$ 185.2	\$ 148.0	\$ 114.5	\$ 103.9	\$ 77.2
Ratios:					
Earnings, as adjusted, from continuing operations to total fixed charges	4.88	5.09	5.36	5.49	6.29
Earnings, as adjusted, from continuing operations to total fixed charges and preferred dividend requirements	4.88	5.09	5.36	5.49	6.29

Notes:

(a) The adjustment for distributions in excess of (less than) undistributed equity earnings and losses represents the adjustment to income for companies in which less than 50% equity is owned.

(b) One-third of rental expense is deemed to be representative of the interest factor in rental expense.

EXHIBIT 21

SUBSIDIARIES OF THE REGISTRANT

Set forth below are the names of subsidiaries, divisions and related organizations of ITT Corporation, the respective jurisdiction in which each was organized (in the case of subsidiaries), and the name under which each does business (if other than the name of the entity itself).

NAME	JURISDICTION IN WHICH ORGANIZED	NAME UNDER WHICH DOING BUSINESS
Defense Electronics & Services		
Advanced Engineering & Sciences Division	N/A	
Felec Services, Inc.	Delaware	
Astro-Optics Labs	California	
CAS Inc.	Alabama	
Darlington, Inc.	Delaware	
EDO Artisan, Inc.	New Jersey	
EDO Automotive Natural Gas, Inc.	Delaware	
EDO Communications and Countermeasures Systems, Inc.	California	
EDO Corporation	New York	
EDO Energy Corp.	Delaware	
EDO MBM Technology, LLC	United Kingdom	
EDO MTEch Inc.	Pennsylvania	
EDO Professional Services, Inc.	Virginia	
EDO Reconnaissance and Surveillance Systems, Inc.	Delaware	
EDO Rugged Systems Limited	United Kingdom	
EDO (UK) Limited	United Kingdom	
EDO Western Corporation	Utah	
EVI Technology, LLC	Delaware	
Fiber Innovations, Inc.	Massachusetts	
Gilcron Corporation	Delaware	
Impact Science & Technology, Inc.	New Hampshire	
ITT Advanced Engineering & Sciences International, Inc.	Delaware	
ITT Advanced Imaging Systems, Inc.	Delaware	
ITT Antarctic Services, Inc.	Delaware	
ITT Arctic Services, Inc.	Delaware	
ITT Avionics Systems International, Inc.	Delaware	
ITT Canadian Enterprises, Ltd.	Canada	
ITT Commercial Services, Inc.	Delaware	
ITT Communications Support, Inc.	Delaware	
ITT Communications Systems Division	N/A	
ITT DCD Saudia Arabia Inc.	Delaware	
ITT Defence Ltd.	United Kingdom	
ITT Defense Division	N/A	
ITT Defense Espana, S.L.	Spain	
ITT Defense International, Inc.	Delaware	
ITT Electronic Systems – Electronic Warfare Division	N/A	
ITT Employment and Training Systems, Inc.	Delaware	
ITT Federal Services Arabia Ltd.	Saudi Arabia	
ITT Federal Services Corporation	Delaware	
ITT Federal Services GmbH	Germany	

NAME	JURISDICTION IN WHICH ORGANIZED	NAME UNDER WHICH DOING BUSINESS
ITT Federal Services International Corporation	Delaware	
ITT Federal Services International, Ltd.	Cayman Islands	
ITT FSC Investment Corporation	Delaware	
ITT FSC Management Corporation	Delaware	
ITT Gillfillan Division	N/A	
ITT GNSS Solutions, Inc.	California	
ITT INSYTE, Inc.	Florida	
ITT Job Training Services, Inc.	Delaware	
ITT Maintenance Services, GmbH	Germany	
ITT Night Vision Division	N/A	
ITT Power Solutions, Inc.	Massachusetts	
ITT PowerSystems Corporation	Delaware	
ITT Space Systems, LLC	Delaware	
ITT Systems Division	N/A	
ITT Systems & Sciences Corporation	Delaware	
MBM Flexible Circuits Ltd.	United Kingdom	
NexGen Communications LLC	Virginia	
Research Systems, Inc.	Colorado	Visual Information Solutions
Research Systems International France SARL	France	
Research Systems International UK Limited	United Kingdom	
Research Systems Italia S.r.l	Italy	
ITT VIS KK	Japan	
Specialty Plastics, Inc.	Louisiana	
Fluid Technology		
AC Custom Pumps Division	N/A	
Anadolu Flygt Pompa Sanayi Ve Ticaret	Turkey	
AGJ Holding AB	Sweden	
A.G. Johansons Metallfabrik AB	Sweden	
Arrow Rentals Limited	Ireland	
Avis Werberg GmbH	Austria	
BEC Acquisition Corporation, Inc.	Delaware	
Bombas Flygt de Venezuela	Venezuela	
Bombas Goulds de Mexico S. de R.L. de C.V.	Mexico	Goulds
Bombas Goulds de Venezuela, C.A	Venezuela	Goulds
Bombas Goulds S.A.	Argentina	Goulds
BS Pumps Limited	United Kingdom	
Comer S.R.L	Italy	
Distribuidora Arbos, C.A	Venezuela	
Faradyne Motors LLC	Delaware	
Flowtronex Acquisition, Inc.	Delaware	
Flowtronex PSI, Inc.	Nevada	
Fluid and Water Technology India, Inc.	Delaware	
Flygt Argentina S.A.	Argentina	Flygt
Flygt Hellas S.A.	Greece	Flygt
Flygt Portugal Tecnologia Agua do Ambiente	Portugal	Flygt
Goulds Pumps Administration	New York	

NAME	JURISDICTION IN WHICH ORGANIZED	NAME UNDER WHICH DOING BUSINESS
Goulds Pumps Canada, Inc.	Canada	Goulds
Goulds Pumps Co., Ltd.	Korea	Goulds
Goulds Pumps, Incorporated	Delaware	Goulds
Goulds Pumps (IPG), Inc.	Delaware	Goulds
Goulds Pumps (Ireland), Limited	Ireland	Goulds
Goulds Pumps (NY), Inc.	New York	Goulds
Goulds Pumps (PA), Inc.	Delaware	Goulds
Goulds Pumps (Philippines), Inc.	Philippines	Goulds
GP Holding Company, Inc.	Delaware	Goulds
Grindex AB	Sweden	
Innotech Water Management BV	Netherlands	
ITT Bell & Gossett Division	N/A	Bell & Gossett
ITT Columbia Ltda	Columbia	
ITT Corporation India Pvt. Ltd.	India	
ITT EP (Nanjing)	China	
ITT Fluid Technology Asia Pte Ltd.	Singapore	
ITT Fluid Technology Corporation	Delaware	
ITT Fluid Technology Division	N/A	
ITT Fluid Technology International, Inc.	Delaware	
ITT Fluid Technology International Pty Ltd.	Australia	
ITT Fluid Technology International (Thailand), Ltd.	Thailand	
ITT Fluid Technology S.A.	Chile	
ITT BV Water & Wastewater Nederland	The Netherlands	Flygt
ITT Water & Wastewater Deutschland GmbH	Germany	Flygt
ITT Flygt S.A.S	France	Flygt
ITT Flygt SDC S.A.S	France	Flygt
ITT Water & Wastewater Italia S.R.L.	Italy	Flygt
ITT Flygt (Shenyang) Pumps, Ltd.	China	Flygt
ITT Goulds Benelux BV	The Netherlands	Goulds
ITT Grindex Pumps Division	N/A	
ITT Industries Holding AB	Sweden	
ITT Kobay Sdn BHD	Malaysia	
ITT McDonnell & Miller Division	N/A	McDonnell & Miller
ITT Monitoring and Control, Inc.	Delaware	
ITT Pure-Flo (UK), Ltd.	United Kingdom	
ITT PCI Membranes Limited	United Kingdom	
ITT Sanitaire, Ltd.	United Kingdom	
ITT Standard Division (Heat Transfer)	N/A	
ITT Water & Wastewater AB (Sweden)	Sweden	
ITT Water & Wastewater Australia Limited	Australia	
ITT Water & Wastewater Belgium BVBA		
ITT Water & Wastewater Chile S.A.	Chile	
ITT Water & Wastewater Danmark ApS	Denmark	
ITT Water & Wastewater do Brazil Limitada S.A	Brazil	
ITT Water & Wastewater Finland OY	Finland	
ITT Water & Wastewater Florida LLC	Delaware	
ITT Water & Wastewater Hong Kong Limited	Hong Kong	

NAME	JURISDICTION IN WHICH ORGANIZED	NAME UNDER WHICH DOING BUSINESS
ITT Water & Wastewater Hungry Kft.	Hungary	
ITT Water & Wastewater Indiana LLC	Delaware	
ITT Water & Wastewater Ireland Ltd.	Ireland	
ITT Water & Wastewater Korea Col, Ltd.	Korea	
ITT Water & Wastewater Leopold, Inc.	Delaware	
ITT Water & Wastewater Lituania	Lithuania	
ITT Water & Wastewater Mexico S. de R.L. de C.V	Mexico	
ITT Water & Wastewater New Zealand Limited	New Zealand	
ITT Water & Wastewater Norway SA	Norway	
ITT Water & Wastewater Osterreich GmbH	Austria	
ITT Water & Wastewater Peru S.A	Peru	
ITT Water & Wastewater Polska Sp. Zoo	Poland	
ITT Water & Wastewater Projects Limited	United Kingdom	
ITT Water & Wastewater South Africa (PTY) Ltd.	South Africa	
ITT Water & Wastewater UK Ltd.	United Kingdom	
ITT Water & Wastewater U.S.A., Inc	Delaware	
ITT Water Technology Delaware, Inc.	Delaware	
ITT Water Technology Holdings, Inc.	Delaware	
ITT Water Technology, Inc.	Delaware	
ITT Water Technology, Inc. (Canada)	Canada	
ITT Water Technology International, Inc.	Delaware	
ITT Water Technology Mexico S. de R.L. de C.V.	Mexico	
ITT Water Technology Texas Holdings, Inc.	Delaware	
ITT Water Technology (TX) LP	Delaware	
ITT Wellpoint S.r.l	Italy	
Leopold Holding Corp.	Delaware	
Lowara Deutschland GmbH	Germany	Lowara
Lowara France S.A.S	France	Lowara
Lowara (Ireland) Limited	Ireland	Lowara
Lowara Nederland BV	The Netherlands	Lowara
Lowara Portugal	Portugal	Lowara
Lowara S.r.l	Italy	Lowara
Lowara UK Limited	United Kingdom	Lowara
Lowara Vogel Polska Co. Ltd.	Poland	
Nanjing Goulds Pumps Ltd.	China	Goulds
PCI Membrane Inc.	Delaware	
Portacel, Inc.	Delaware	
PT Sam McCoy	Indonesia	
Pumpenfabrik Ernst Vogel GmbH	Austria	Vogel
Pure-Flo Cotter Division	N/A	
Pure-Flo LLC	Delaware	
Pure-Flo Precision Division	N/A	
Pure Water — C-Treat	N/A	
Pure Water — Wet Division	N/A	
Robot Pumps BV	The Netherlands	
Sam McCoy Engineering Pte Ltd.	Singapore	
Sam McCoy Engineering SDN BHD	Malaysia	

NAME	JURISDICTION IN WHICH ORGANIZED	NAME UNDER WHICH DOING BUSINESS
Sam McCoy Manufacturing SDN BHD	Malaysia	
Sanitaire Division	N/A	Sanitaire
Shanghai Goulds Pumps Co. Ltd.	China	
SRP Acquisition Corp.	Delaware	
Tecnicas de Filtracion Bombeo S.A.	Spain	
Vogel Pumpen Drv	Hungary	
WEDECO AG	Germany	
WEDECO AVP Pty Ltd.	Australia	
WEDECO B.V	The Netherlands	
WEDECO GmbH	Germany	
WEDECO GmbH	Switzerland	
WEDECO Limited	United Kingdom	
WEDECO Ltda.	Brazil	
WEDECO Rex S.R.L	Spain	
WEDECO Sp. z.o.o	Poland	
WEDECO Sung Jin Ltd.	South Korea	
WEDECO S.r.l	Italy	
WEDECO Visa GmbH	Austria	
1448170 Ontario Ltd.	Canada	
Motion & Flow Control		
Air-Dro Cylinders, Inc.	Alabama	
Ameritool Manufacturing, Inc.	New York	
BIW Division	N/A	
BVE Control GmbH	Germany	
CableCom Electronics (Shenzhen) Co., Ltd.	China	
ITT Hong Kong Limited	Hong Kong	
Cleveland Motion Controls, Inc.	Ohio	
Cleveland Motion Controls Ltd.	United Kingdom	
Cleveland Motion Controls GmbH	Germany	
Compact Automation Products LLC	Delaware	
Enidine Incorporated	Delaware	Dynact
Enidine GmbH	Germany	
Enidine (Hangzhou) Co., Ltd.	China	
Enidine Co., Ltd. Kabushiki Kaisha	Japan	
Enidine United Kingdom Limited	United Kingdom	
Enidine Trading Company GmbH	Germany	
Evolutionary Concepts, Inc.	California	
Flojet Division	N/A	
Flojet (Europe) Limited	England	
Great American Gumball Corporation	California	ITT Cannon Santa Clara
Hydro Air Industries Division	N/A	
		Electro-Pneumatic Innovations
Hydro-Line, Inc.	Delaware	Midland Pneumatic
IMC Controls Holding, Inc.	Delaware	
International Motion Control Inc.	Delaware	
International Motion Control (China), Ltd.	Delaware	

NAME	JURISDICTION IN WHICH ORGANIZED	NAME UNDER WHICH DOING BUSINESS
ITT Aerospace Controls Division	N/A	
ITT Aerospace Controls LLC	Delaware	
ITT Automotive Europe GmbH & Co. KG	Germany	ITT Cannon/MobileCom, ITT Cannon RF Products, ITT Interconnect Solutions
ITT Cannon Division	N/A	
ITT Cannon Electronic (Shenzhen) Co., Ltd.	China	
ITT Cannon GmbH	Germany	
ITT Cannon International, Inc.	Delaware	ITT Cannon/Network Systems & Services
ITT Cannon, Ltd.	Japan	
ITT Cannon Mexico, Inc.	Delaware	
ITT Cannon de Mexico S.A. de C.V.	Mexico	
ITT Cannon Veam Italia S.r.l.	Italy	
ITT Cannon (Zhenjiang) Electronics, Ltd.	China	
ITT Cannon (Hong Kong) Ltd.	Hong Kong	
ITT Flow Control Limited	United Kingdom	
ITT Industries Friction, Inc.	Delaware	
ITT Italia S.r.l	Italy	
ITT Industries Vermoegensverwaltungs GmbH	Germany	
ITT Koni America LLC	Delaware	
ITT Power Holding BV	The Netherlands	
ITT VEAM LLC	Delaware	
Jabsco GmbH	Germany	Jabsco
Jabsco Marine Italia S.r.l	Italy	
Jarret, Inc.	Pennsylvania	
Jinco Holdings, Inc.	Delaware	
Jinco Products, Inc. (Korea)	Korea	
Kaliburn, Inc.	South Carolina, USA	
Koni B.V	The Netherlands	Koni
Bright Banner Limited	United Kingdom	
Totton Holdings Limited	United Kingdom	
Totton Pumps Limited	United Kingdom	
Koni France	France	Koni
Midland Pneumatic Limited	United Kingdom	
Nee Controls, Inc.	Delaware	
NHK Jabsco	Japan	Jabsco
Rule Industries, Inc.	Massachusetts	Rule
TEC Electrical Components Ltd.	United Kingdom	
Other		
Admiral Corporation	Florida	Admiral
Bolton Insurance Company	New York	
Carbon Fuel Company	West Virginia	Carbon
Carbon Industries, Inc.	West Virginia	
Computer & Equipment Leasing Corporation	Wisconsin	
Corporp A&F, Inc.	Delaware	

NAME	JURISDICTION IN WHICH ORGANIZED	NAME UNDER WHICH DOING BUSINESS
Howard Corporation	North Carolina	
International Standard Electric Corporation	Delaware	
ITT AES Enterprises, Inc.	Delaware	
ITT Automotive Enterprises, Inc.	Delaware	
ITT Benefits Management, Inc.	Delaware	
ITT Canada Company	Nova Scotia	
ITT Canada Investment L.P.	Canada	
ITT Community Development Corporation	Delaware	
ITT Delaware Investments, Inc.	Delaware	
ITT France SAS	France	
ITT German Holding BV	Germany	
ITT Gesellschaft für Beteiligungen mbH	Germany	
ITT Industriebeteiligungsgesellschaft mbH	Germany	
ITT Industries Asset Management, Inc.	Delaware	
ITT Industries Canada LP	Canada	
ITT Industries (China) Investment Company, Limited	China	
ITT Industries German Asset Management GmbH	Germany	
ITT Industries German Holding GmbH	Germany	
ITT Industries GmbH	Germany	
ITT Industries Holding SARL	Luxembourg	
ITT Industries Limited	United Kingdom	
ITT Industries Luxembourg SARL	Luxembourg	
ITT Industries Management GmbH	Germany	
ITT Industries SARL	Luxembourg	
ITT Industries UK Holdings Ltd.	United Kingdom	
ITT International SARL	Luxembourg	
ITT Manufacturing Enterprises, Inc.	Delaware	
ITT Netherlands Holdings B.V	The Netherlands	
ITT Power Holdings B.V	The Netherlands	
ITT Remediation Management, Inc.	Delaware	
ITT Resource Development Corporation	Delaware	
ITT Transportation Distribution Services Division	N/A	
Kentucky Carbon Corporation	West Virginia	
Palm Coast, Inc.	Florida	
Palm Coast Construction Company	Florida	
Palm Coast Home Realty, Inc.	Florida	
ITT Land Corporation	Florida	
Palm Coast Engineering and Design Services, Inc.	Florida	
Paul N. Howard Company	North Carolina	
Sunport Recreation, Inc.	Florida	
Winifrede Railroad Corporation	West Virginia	
4202988 Canada Ltd.	Canada	

Note: The names of certain subsidiaries have been omitted since, considered in the aggregate, they would not constitute a "significant subsidiary" as of the end of the year covered by this report.

EXHIBIT 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Post-Effective Amendment No. 1 to Registration Statement No. 033-45756 on Form S-3, Post-Effective Amendment No. 7 to Registration Statement No. 033-06004 on Form S-8, Post-Effective Amendment No. 1 to Registration Statement No. 033-53771 on Form S-8, and Registration Statement Nos. 333-01109, 333-04611, 333-64161, 333-84917, 333-41806, 333-41808, 333-87814, 333-105203, and 333-150934 on Form S-8 of our reports dated February 25, 2009 relating to the consolidated financial statements of ITT Corporation and subsidiaries (the "Company") (which report expresses an unqualified opinion and includes explanatory paragraphs relating to the Company's adoption of new accounting standards) and the effectiveness of the Company's internal control over financial reporting, appearing in this Annual Report on Form 10-K of ITT Corporation for the year ended December 31, 2008.

/s/ DELOITTE & TOUCHE
New York, New York

February 25, 2009

EXHIBIT 31.1

CERTIFICATION OF STEVEN R. LORANGER PURSUANT TO SEC. 302 OF THE SARBANES-OXLEY ACT OF 2002 CERTIFICATION

I, Steven R. Loranger, certify that:

1. I have reviewed this annual report on Form 10-K for the year ended December 31, 2008 of ITT Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's fourth fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ STEVEN R. LORANGER

Steven R. Loranger
Chairman, President and Chief
Executive Officer

Date: February 25, 2009

**CERTIFICATION OF DENISE L. RAMOS PURSUANT TO SEC. 302
OF THE SARBANES-OXLEY ACT OF 2002
CERTIFICATION**

I, Denise L. Ramos, certify that:

1. I have reviewed this annual report on Form 10-K for the year ended December 31, 2008 of ITT Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's fourth fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ DENISE L. RAMOS

Denise L. Ramos
Senior Vice President and
Chief Financial Officer

Date: February 25, 2009

EXHIBIT 32.1

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of ITT Corporation (the "Company") on Form 10-K for the period ended December 31, 2008 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Steven R. Loranger, Chairman, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ STEVEN R. LORANGER

Steven R. Loranger
Chairman, President and
Chief Executive Officer

February 25, 2009

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

EXHIBIT 32.2

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of ITT Corporation (the "Company") on Form 10-K for the period ended December 31, 2008 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Denise L. Ramos, Senior Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ DENISE L. RAMOS

Denise L. Ramos
Senior Vice President and
Chief Financial Officer

February 25, 2009

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.